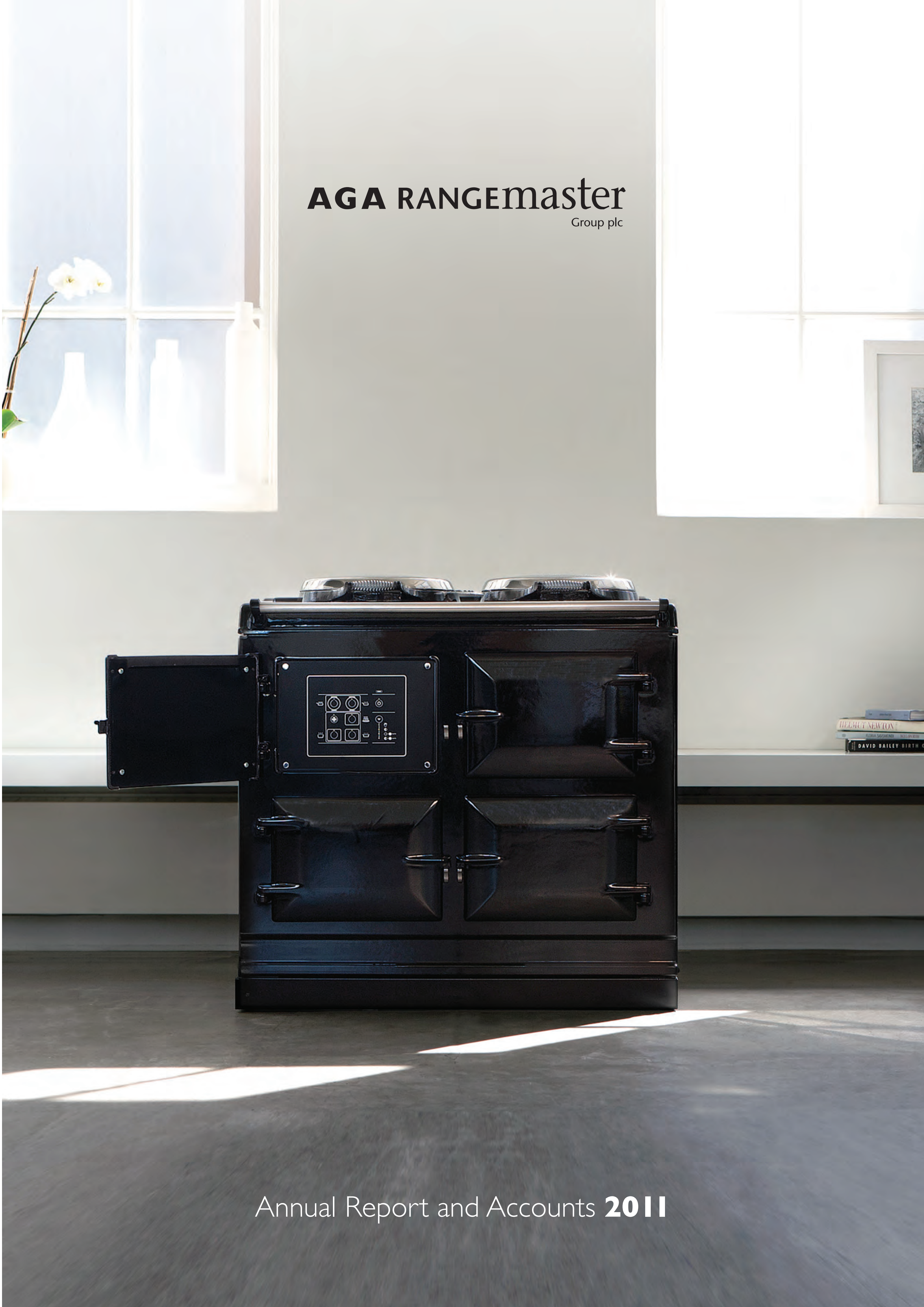
AGA RANGEMASTER GROUP PLC ANNUAL REPORT & ACCOUNTS **2011**



AGA RANGEmaster
Group plc

Annual Report and Accounts **2011**

Introduction

AGA Rangemaster is a specialist in range cooking and kitchen living. We have the strongest of brands. We have invested in new products and business processes to streamline our operations adjusting to lower activity levels in our traditional markets. We now have the structures and products to accelerate progress in newer markets.

Financial highlights

GROUP REVENUE

£250.9m -3.2%

EBITDA*

£16.5m +22.2%

OPERATING PROFIT

£6.1m +19.6%

PROFIT BEFORE TAX**

£7.5m +108.3%

* Before non-recurring costs & curtailment gain
** Excluding curtailment gain

Strategic and operational highlights

Profit growth achieved through margin improvements.

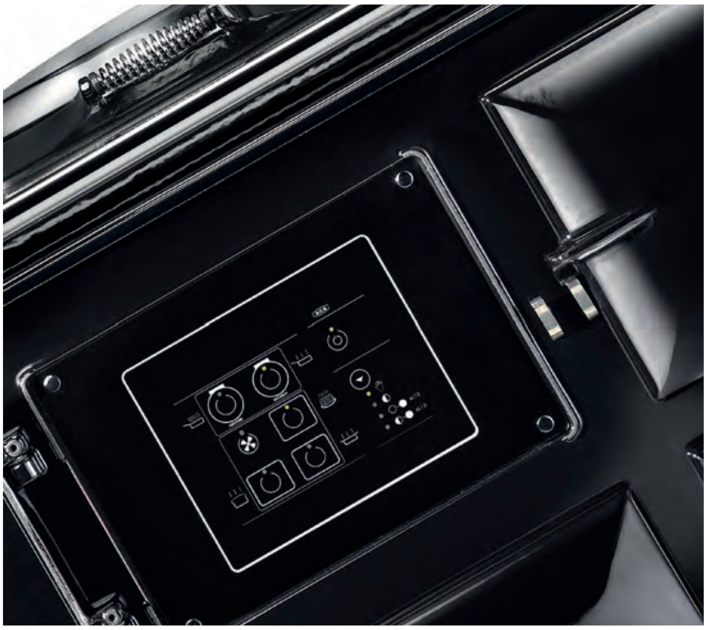
AGA Total Control is selling well and is attracting a new generation of customers.

Rangemaster showed impressive resilience in a tough market.

Losses reduced at Fired Earth and Grange and progress is set to continue.

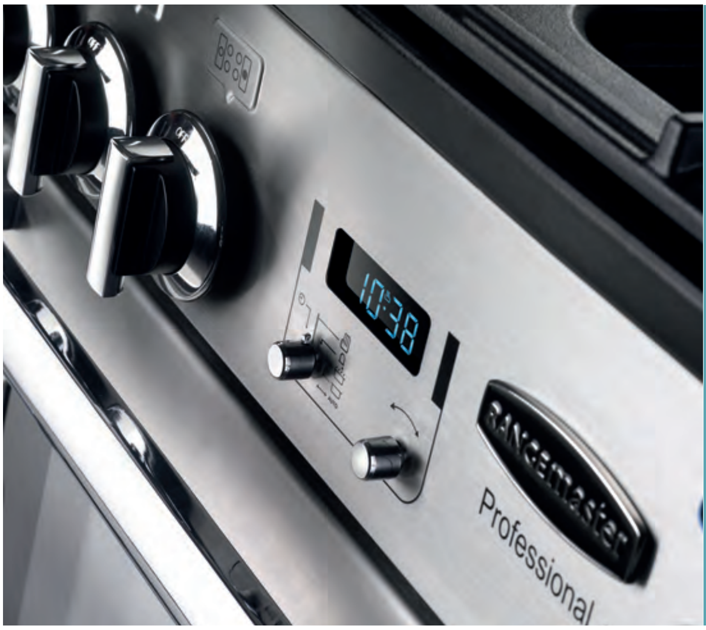
Accounts show a £5.3 million net surplus in the Group's pension schemes which is little changed from 2010 – discussions are progressing well with the trustee of the main pension scheme regarding the scheme's 2011 actuarial valuation and its funding arrangements from 2012.

The year was expected to start slowly given last year's trend lines. More encouraging order intake combined with implementation of the next phase in efficiency gains is setting a more positive tone.



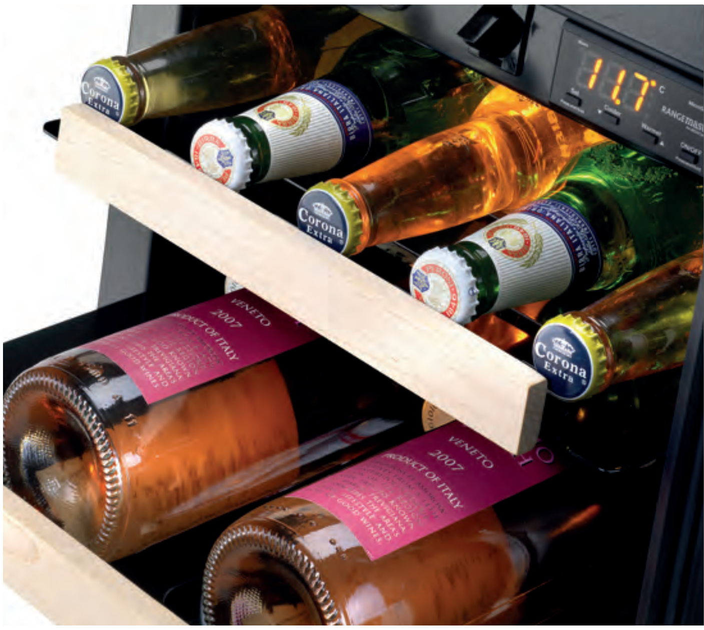
Business and Finance Review

Business and Finance Review



Governance

Governance



Financial Statements

Financial Statements

John Coleman *Chairman*

"At AGA Rangemaster we have brands that connect with customers like few others. Our investment in new products adds to our relevance for new generations of customers and creates opportunities in new geographies. We have a strong business model that has provided resilience even in the toughest of markets."

Chairman's Statement

The product introductions and strengthened business processes enabled us to improve margins and provide a continuing optimism that the groundwork is in place to restore profits to previous levels.

Overview

We set out to make 2011 a year of clear cut progress – something we achieved even though consumer caution increased towards the end of the year. The product introductions and strengthened business processes enabled us to improve margins and provide a continuing optimism that the groundwork is in place to restore profits to levels achieved prior to the economic downturn. Particular features of the year were:

- The rise in operating profits before amortisation to £8.0 million (2010: £6.9 million) and £6.1 million (2010: £5.1 million) after amortisation. These increases were achieved even though revenue decreased to £250.9 million from £259.1 million in 2010.
- We finished the year with a strong net cash position of £31.3 million (2010: £34.6 million) and our working capital ratios remain very good.
- The strong product introduction programmes led by the product redefining AGA Total Control have opened up new opportunities in the UK and, importantly, in Europe and in North America where our long-term brand building can now pay off. We can also see that we have the product mix to make greater impressions in other international markets.
- We continue to drive efficiencies and are examining the further development possibilities arising from investments already made in products and systems – seen in AGA Total Control being a factory assembled product which simplifies distribution, installation and service considerations. All our modern electric products will be factory built by the end of 2012.

Our pension schemes remain a major responsibility. The accounts show that the schemes had a net surplus at 31st December 2011 of £5.3 million on an accounting basis, compared with a surplus of £7.1 million a year ago. In 2011, the net pension credit totalled £3.1 million. With the significant fall in gilt yields during the year, the actuarial valuation of the Group's main pension scheme as at 31st December 2011 which is under way will show an increase in the deficit on an actuarial basis over the deficit of £62 million that was indicated as at 31st December 2010 by the actuarial update report prepared on a rolled forward basis at that date. We are in discussions with the trustee of this scheme to ensure that the reasonable funding requirements of the scheme are met while also ensuring the strategy of the Group continues to be focused on our long-term development objectives.

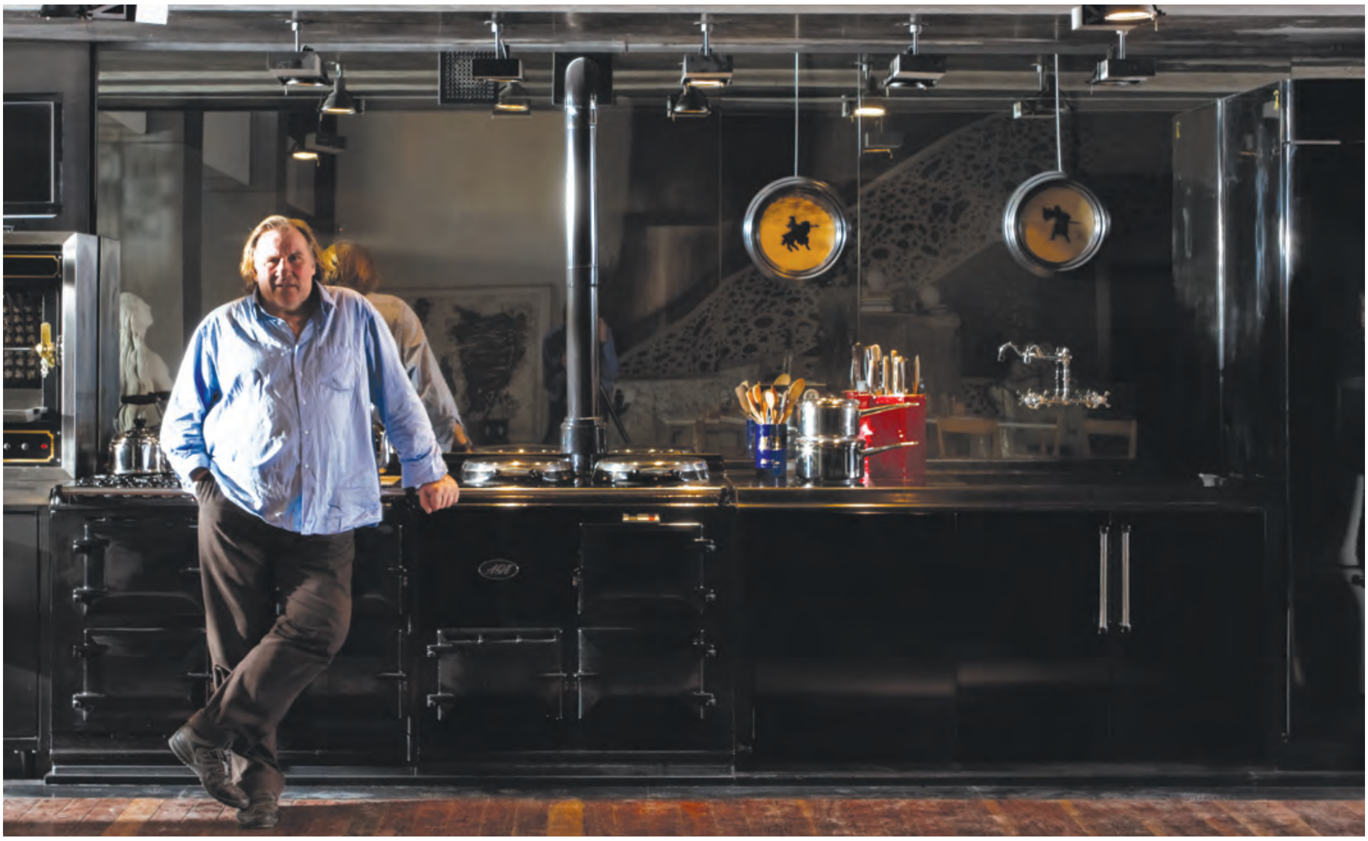
The slow end to 2011 made us cautious about the start to 2012 but the benefits of the work of recent years is showing through and we retain our belief that 2012 will bring renewed momentum. The combination of product mix, geographical reach and operational gearing can rapidly work to our advantage when confidence levels start to recover.

Strategic progress

Given the market in which we operate and the constraint of the pension scheme, our plans in recent years have been directed to efficiency gains and incremental expansionary steps. Our business model is based on being a major international force in range cookers giving us access into wider kitchen markets. We have tightly drawn key performance indicators for our key brands against which we assess progress made.

AGA Total Control launch at the Saatchi Gallery. John Coleman with Jenny Halpern of Halpern PR. Rachel Johnson,writer; Jasmine Guinness, model; Mary Berry, cookery writer and Jane Williams, lady rider turned on the different product features.

Chairman's Statement



"Cooking with an AGA is fabulous and allows for little mistakes. It is so easy to prepare dinner for 10 and still be around for your guests" Gérard Depardieu.

Our cast iron cookers are our most operationally geared lines. We have sought to broaden their appeal through providing additional flexibility in use, seen in the successful launch in May 2011 of the AGA Total Control - "on when you need it off when you don't". Orders are now 1,100. For Rayburn and Stanley, development has meant making our all in one heating-cooker products part of the drive for whole house energy management solutions linking renewables and fossil fuels.

In 2011 overall cast iron cooker volumes fell 6% to 11,000 with the decline of Stanley in Ireland continuing – but with AGA volumes flat. Given the products we have and will continue to introduce we retain our objective of restoring cast iron cooker sales to 19,600 – the level of 2007 – prior to the fall in the Irish, and then our UK markets. We know that with the lower cost structures now in place that material profit improvement should follow.

At Rangemaster we continued with our established, successful development plans. While volumes were around 62,000 units – below the 2007 benchmark of 76,000 units – we once again succeeded through the mix of brands and higher specification models to edge up average selling prices. We still do not expect material volume changes in the UK, given the housing and consumer markets, which makes international sales – contributing over a quarter of Rangemaster sales volumes – so significant. In 2011 we moved ahead slightly with good growth coming from France. The key challenge is to add materially to export sales markets with higher real growth rates and for which we now have products that will be more readily accepted.

Profit growth can also come from the improving performance in operations that have performed weakly in recent years. In 2011 we entered into an agreement with the newly strengthened Fired Earth management under which it has an equity interest in the operation. In 2011 Fired Earth saw losses fall significantly but they remained over £1 million. For Grange there has been a concerted effort to make the product line up more contemporary and to make purchasing Grange products simpler and more exciting – hence our investment in the technology underpinning the store design software for "My Grange".

In 2012 a priority is to make material progress in rebalancing the business so that at least half the revenue is generated from outside the UK compared with 37% in 2011.

2012: Manufacturing and design in Britain

2012 will be a high profile year for Britain and British made products. The Group's history begins with its cooking pots triggering the Industrial Revolution in 1709 through the smelting of iron ore with coke. The Group has made major contributions to British manufacturing. It received, for example, two medals at the 1851 Great Exhibition. This makes 2012 with its focus on Britain and its heritage particularly interesting as we still make innovative products fulfilling the same functions today.

Andrea Selby winner of the Rangemaster "Kitchen Catwalk" competition enjoyed a visit by celebrity chef Lesley Waters who prepared a meal on a Rangemaster Toledo 110.

We expect to play a prominent role in highlighting Britain as an innovator and manufacturer and to take opportunities to showcase our brands. We were delighted to be named Midland Manufacturer of the year for 2011. We were founder members of IDEA Birmingham, which will hold an expo this summer on innovation and design in the Midlands.

People

I have, as Chairman been able to visit most parts of the Group and am always impressed by the enthusiasm of our employees for the brands and the determination to make the most of the great opportunities our brands can create. My visit to Greenville, Michigan was particularly pleasing as I was able to see first hand how the investment the Group has made to bring our North American operations together is proving effective.

Current Trading

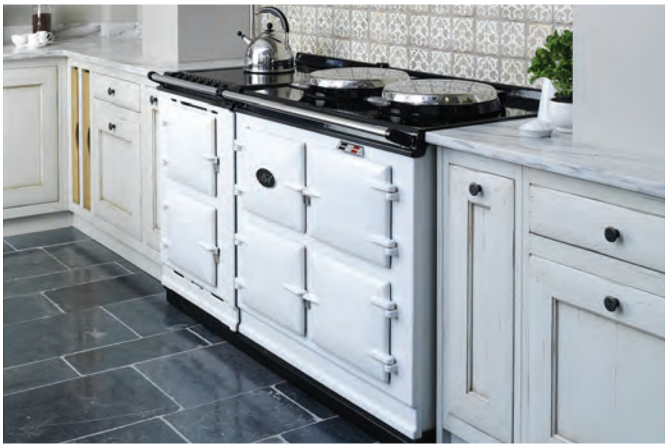
We went into 2012 expecting markets to remain tough and we have already undertaken further steps to improve efficiencies and lower the cost base, building on programmes of the last four years. We now have a single set of focused business processes across the UK manufacturing units. We are also, as more of our cast iron cookers are fully assembled in the factory, working with a simpler sales process and a single warehouse for all our cookers in Leamington Spa.

We are pleased that our January sales programmes went well and consumer leads are up. We have well defined target markets in the UK and overseas and expect this targeting to bring sales growth this year. For Rangemaster at the biannual Kitchen Bedroom Bathroom trade show at the NEC, our dealers felt our product mix based on market leading ranges with a wider appliance and sink offering provides a strong platform for the year. We are encouraged that AGA Marvel in North America should see appreciable progress and trend lines at Fired Earth are better.

Against this background we retain our confidence in our business model and a belief it will generate the expected returns given the tremendous affection and respect that our brands attract. Our determination through the downturn to build product and distribution to make us the beneficiary in a recovery could pay off this year – a year we approach with confidence.

John Coleman
Chairman
9th March 2012

Brand Spotlight

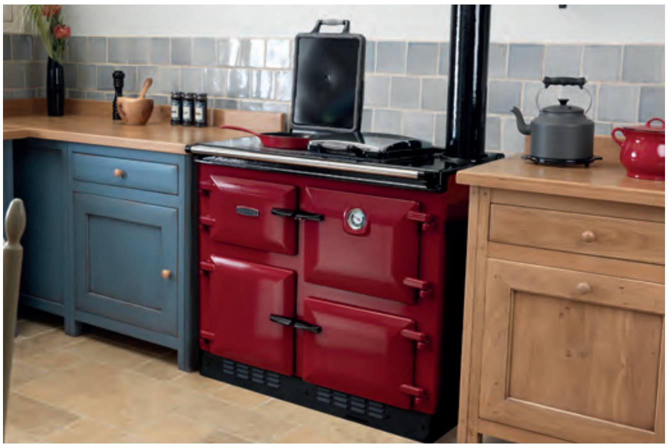


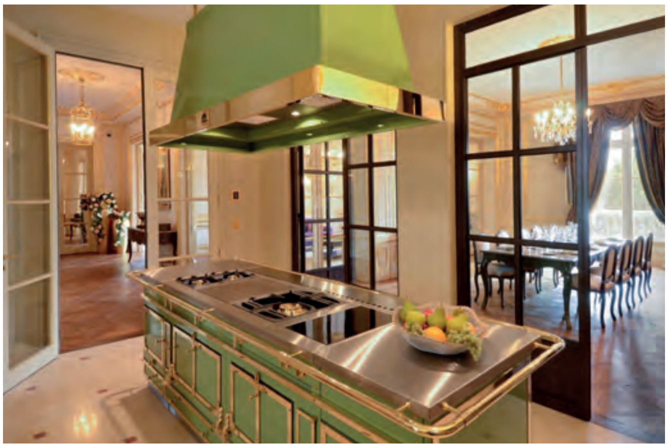
Rooted, authentic, British and modernised

AGA is an iconic British brand with manufacturing roots dating back to the start of the Industrial Revolution. The radiant heat cooking from cast iron ovens means food tastes better and with a cooker that is a design classic and one that sets the ambience of the home, it has a unique social status. With modern models providing greater flexibility in use it can capture a new generation of customers internationally.

Cooker boilers and the renewable links

Rayburn/Stanley with the 'food tastes better' radiant heat cooking of the AGA and with state-of-the-art boiler technology, the modern Rayburn and Stanley offer a real functional heart to the home as well as for hot water and warmth. They are programmable in oil, gas and come in solid fuel, which is a requirement for those wanting economic fuel independence. The traditional country workhorse liked by self builders is particularly suited to intermittent use for holiday homes.



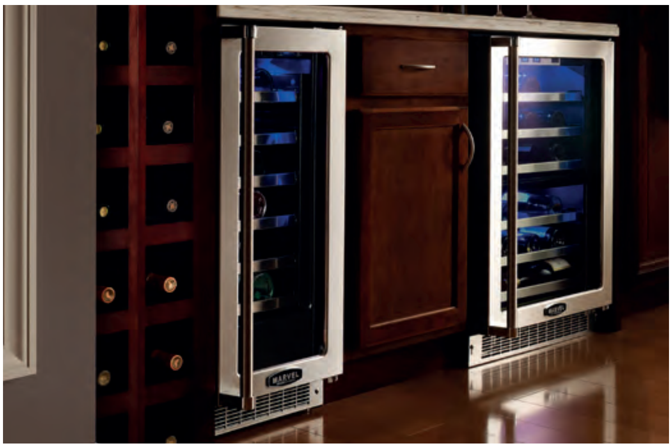


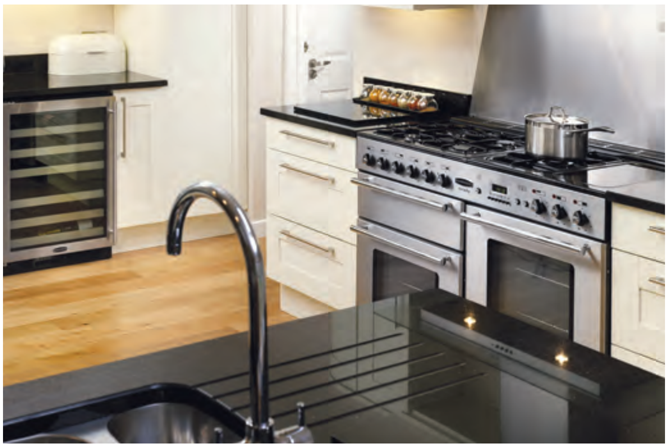
French class : design innovation

La Cornue has a vaulted oven which provides a cooking method comparable to that of the AGA. Founded in 1908, it has created a French-led culture of its own. Led by the grandson of the founder, La Cornue now provides statement kitchens and has added new innovative products to its traditional ranges strengthening a global dealer framework.

Specialising in refrigeration

AGA Marvel is a refrigeration specialist with nearly 80 years' experience during which it has made products for most leading brands in under-counter refrigeration. We have a new Michigan facility for premium forced air refrigerators, wine fridges and ice makers with niche positions in our outdoor range and scientific and professional markets. AGA Marvel also distributes our European made cookers.





British made and Britain's No. 1

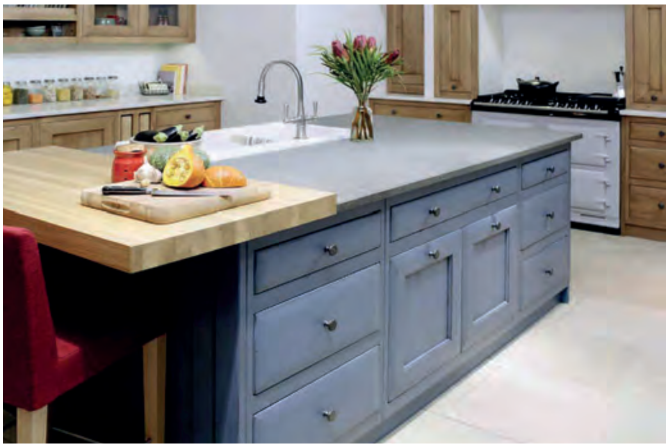
Rangemaster : Britain's No. 1 range cooker traces its roots to the invention of the first range cooker in our factory in 1830. Famed for its standout quality and breadth of look and functionality, it has grown rapidly not only in the UK but also internationally. Rangemaster in 10 years has become a 'go to' brand for wider kitchen appliance dealers and consumers. It makes specialist lines under the Falcon and Mercury brands and international sales are under the Falcon brand.

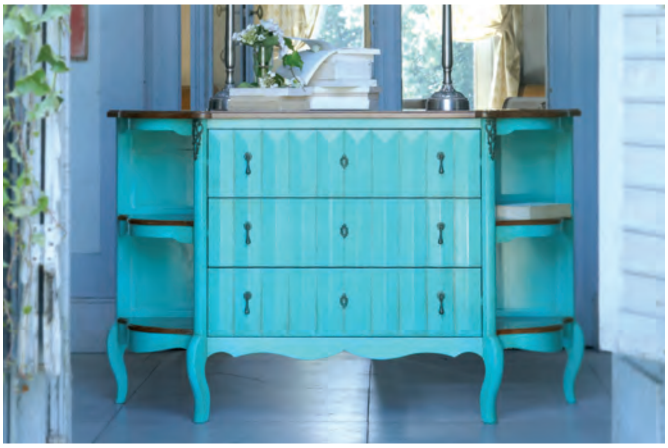
RANGEmaster Falcon

Style leadership

Fired Earth is the UK's leading specialist tile company having been at the forefront of style and innovation in the market for 25 years. With its national retail structure it has widened its offering into paint, bathrooms and kitchens providing home design services. Collaboration between Grange and Charlie Smallbone has created a kitchen furniture look which sets off the Group's appliances beautifully.

FIRED EARTH





My Grange : Personalisation of furniture

Grange is the epitome of good French style for the home. It has broadened its traditional appeal with new designs with the onus on colour and quality finishings. The introduction of 'My Grange' enables customers and designers to order electronically from the factory products they have sized, in the colour and finish they have specifically chosen. Grange has a strong, growing international dealership structure.

GRANGE
LES MEUBLES DE FAMILLE

Home of the cooking emporia

Divertimenti is the leading London cookware emporia with its mix of well-designed practical products and with its plethora of specialist cooking tools. Leading chefs provide classes at the cookery schools. With AGA and La Cornue appliances soon to be in store, it has become a major hub for the Group's retail activities. AGA Cookshop has developed beyond cast iron AGA cookware to have an impressive and comprehensive cookware offering.

DIVERTIMENTI AGA Cookshop

William McGrath *Chief Executive*

“Profit growth and maintaining our strong balance sheet were achievements in 2011. The product breakthroughs made for AGA ensure its long-term success and underscoring our confidence that we are on course to achieve our long run performance objectives even if current market conditions remain exacting.”

Operational Review

2011 saw good progress by the Group as we focused on range cookers and kitchen living despite our core consumer markets remaining subdued.

Our business model

AGA Rangemaster sets out to be an international leader in range cooking and to have a wider range of appliance and kitchen products to reinforce the attractions of having a range cooker at the heart of the home. We have great, long established brands like AGA and La Cornue and younger ones like Rangemaster that develop our traditions. We have an embedded dealer structure and for more specialist lines we add some owned retail outlets. We also have in place some international structures with local production capabilities most notably with AGA Marvel in North America to complement our UK strengths. We believe that modern marketing techniques assist in the identification of niche customer bases and will help drive the volume growth and margin benefits from the sustained investment and commitments to manufacturing of our anchor products.

The product mix

- Cast iron cookers

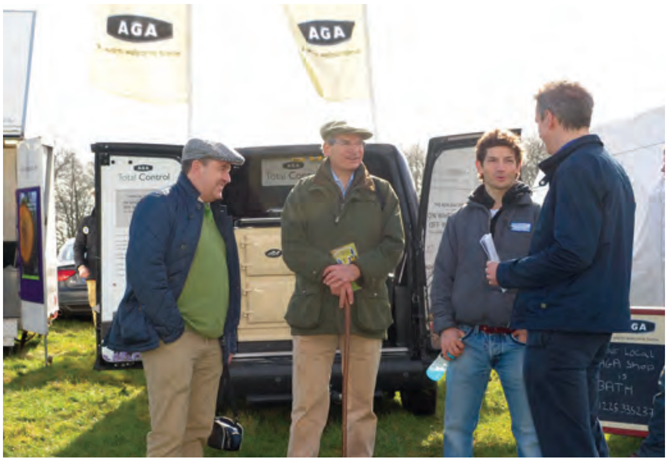
The AGA – at the centrepiece of our cast iron cooker offering – is the product for which the Group is best known. Cooking using radiant heat from the walls of an oven provides the key differentiating feature – the food tastes better. The design and the way the warmth from the cooker creates an atmosphere in the home sets the cast iron cooker apart – making it iconic. Over the last seven years there have been major product development programmes. A key factor is the greater use of electricity – bringing flexibility in use and simplifying the production and distribution processes.

AGA is sold in the UK through 70 AGA shops, of which over half are directly owned. Overseas sales are largely dealer led. The new simplified range now requires less technical support in the field and makes the belief of the sales person in the virtues of cast iron cooking central to the sales process. AGA has a unifying theme of "I love my AGA" and seeks to attract specific audiences including a younger urban audience as well as rural and farming communities. Farmers' markets, food festivals and point-to-point meetings provide events where targeted customers are to be found.

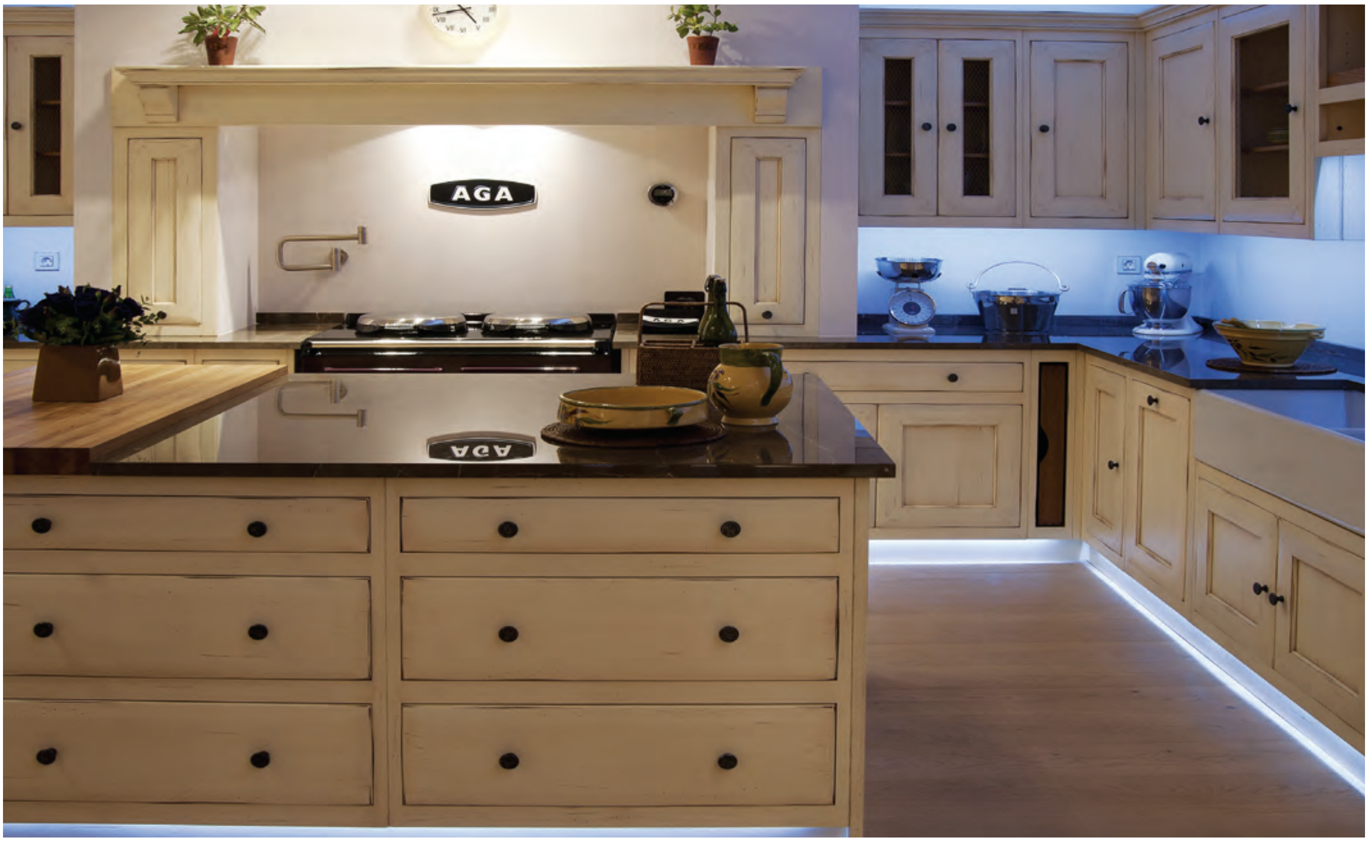
- Other range cookers

Rangemaster has rapidly become a market leading brand because of its outstanding product quality – for example, Which? magazine concluded in 2011 that Rangemaster made the six best range cookers on the market. The Group created the range cooker market segment in the mid 1990's and has maintained the lead by bringing quality, price and functionality together. Ceramic hobs, then induction hobs have shown that Rangemaster makes premium technology in an accessible product. Rangemaster has evolved from the country range in British racing green to making products under well differentiated styles for contemporary kitchens with black and stainless steel dominant looks and more recently adding French and Italian styles. We have specialised premium lines under the Falcon and Mercury brands with commercial and design statement looks. A core competence to help provide the widest product offering is the highly flexible manufacturing capability of our Leamington Spa factory – supplemented by our Nottingham sink specialist factory.

Rangemaster is sold through dealers in the UK and overseas. Rangemaster's aim is to be "easy to do business with" from a dealer standpoint. This involves ease of ordering, delivery and service as well as offering well defined packages of appliances. Growth for the Rangemaster brand has been supported by adding splash backs, cooker hoods, refrigeration and most recently sinks to its consumer offering using the capability of



The mobile AGA Total Control van in action. Members of IDEA Birmingham, the business-university collaboration chaired by Ian Callum, Design Director of Jaguar (right) meet to promote design and innovation. William McGrath and David Simpson of AGA meet with Robert Waley-Cohen, owner and Sam Waley-Cohen rider of the 2011 Gold Cup winner, Long Run at the Didmarton Point-to-Point.



The Grange showroom in Istanbul, Turkey now features a Charlie Smallbone designed kitchen as well as AGA and La Cornue appliances.

being the only UK sink producer. Our Leisure brand is the UK's largest trade sink brand.

Rangemaster's main marketing theme is "life revolves around a Rangemaster" and an online onus is now on the process of upgrading kitchens to have the range at the heart of the home.

- *Other appliances*

Through Marvel, the Group is a major specialist in undercounter refrigerators in North America. We make wine fridges, ice makers, beverage centres and multi functional refrigerators now largely using the latest forced air technology. Operating from our new factory and distribution centre in Greenville, Michigan, Marvel sells through distributors to dealers in most of the USA – we act as our own distributor in Canada through our national sales force. We have restructured our product offering into Marvel and the premium Marvel Professional and we have specialist areas highlighting our refrigeration expertise in Marvel Outdoor and Marvel Scientific.

The Group also sources appliances – adapting them to its own styling to provide a comprehensive offering. Over the last seven years the Group has worked with Haier – the China based business that is the world's largest appliance group – in developing refrigerators adapted to western requirements. Haier now also makes a Rangemaster specified dishwasher.

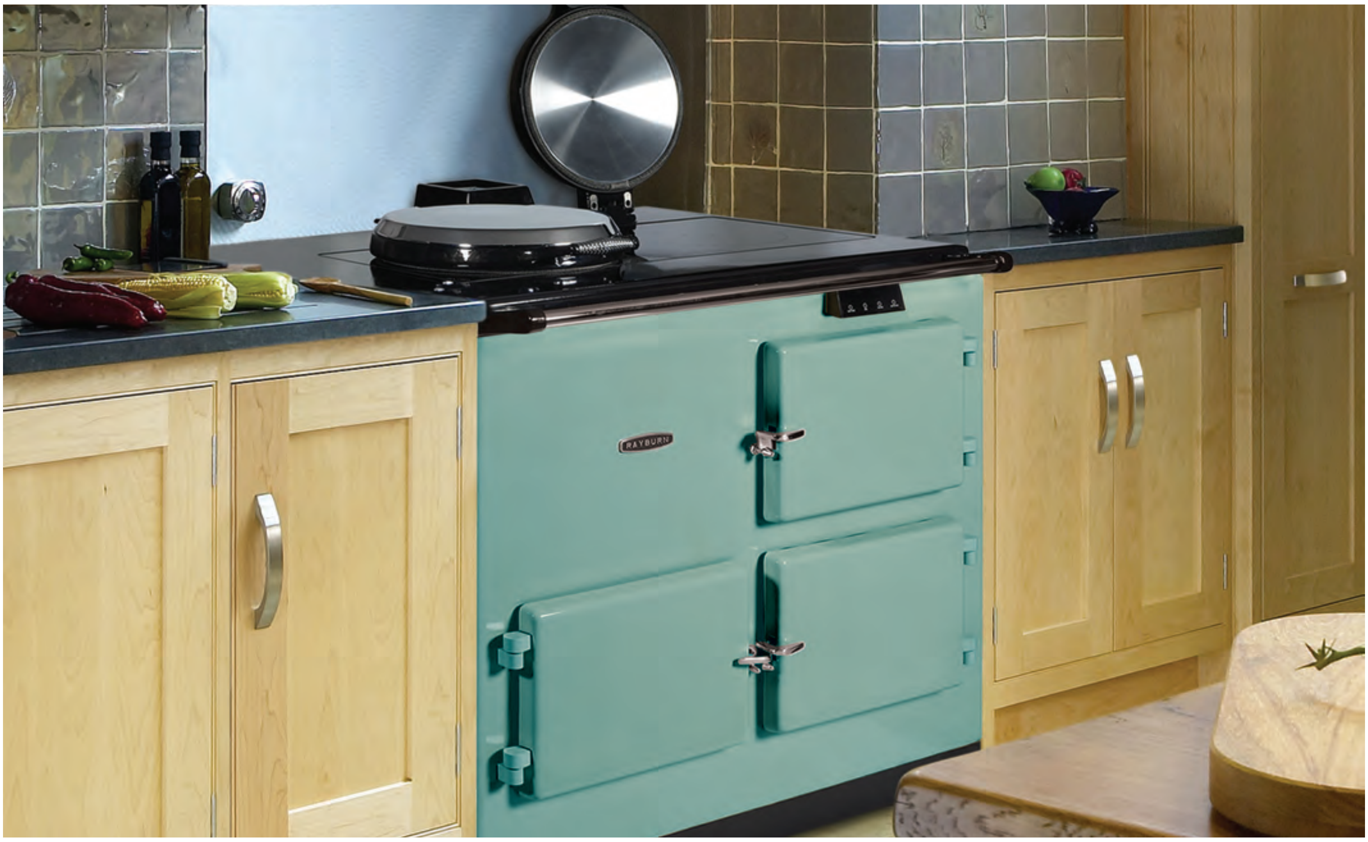
- *Other products*

Grange brings to the Group a large well established distribution structure – having Grange dealer outlets worldwide and owned retail outlets. The best product links between Grange premium furniture lines and the appliances are through the kitchen. Grange Cuisine is designed by Charlie Smallbone and sold by Fired Earth in the UK whilst the "My Grange" concept is a powerful online tool for the design community with the ability to link with communities attracted by the Group's core appliance offering. Grange differentiates itself through its flexible manufacturing with the specialism in colour and finishing techniques.

Fired Earth has for 25 years been at the forefront in the style and use of tiles in the UK as well as in the quality paint market. The expansion into bathrooms and kitchens provides a distinctive take on contemporary taste – accessing ideas from around the world. The current interpretations of Turkish and North African styles in tiles typifies this positioning. The idea is to establish links between the customer bases of Fired Earth and the appliance operations. We see online sales as a significant source of business – an area showing rapid current growth.

Strong value from the market positions we hold

The AGA Rangemaster business model is based on the Group's brand strengths emanating from product quality provided by its long manufacturing tradition. The Group has deep roots in British style – to which it has added comparable French style – and it is looking to interpret these styles for international markets. The distinctive nature of our range cookers, the affection in which they are held, and the wide contemporary sense added through determined consistent investment in new products provides the strength to turn niche positions into operations of scale, able to add substantially to value for shareholders.



The new Rayburn electric model, manufactured at the Waterford Stanley site in Ireland.

Progress in 2011

The Group has continued with a rigorous and disciplined approach to cost and cash management. The result is both improved profitability and net cash of £31.3 million at the end of 2011.

Our markets remained quiet in 2011 and were more difficult towards the end of the year. We do note that the number of mortgage approvals – the precursor for housing transactions – have been edging back up although still under 50% of the peak suggesting there is a sound floor to the market – but little market momentum. Against that background, new products for the UK and overseas to aid the drive into new international markets have to be central to our thinking.

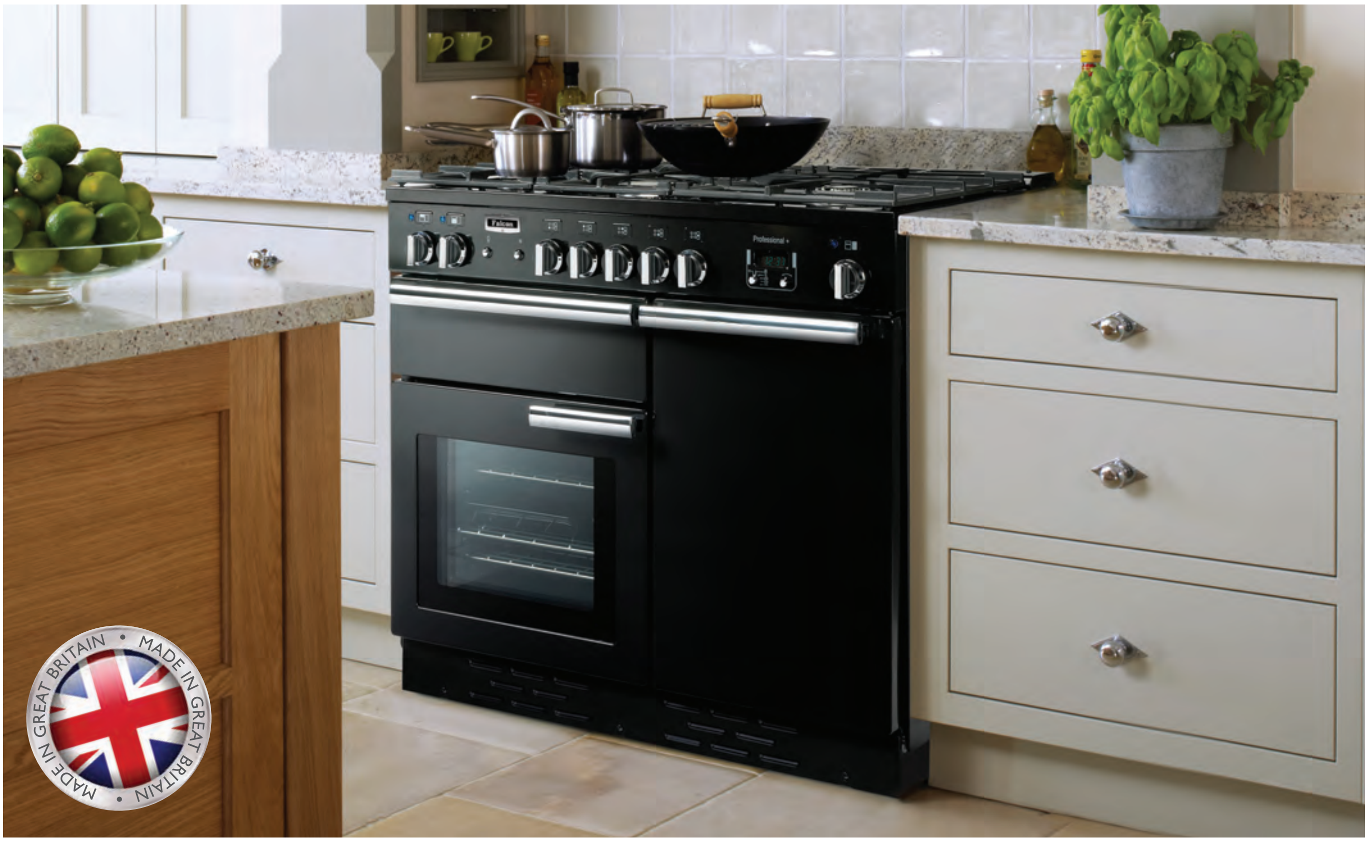
The significance of the launch of the AGA Total Control to the Group continues to increase. The product was the culmination of four years of development work and analysis to reposition the product. Launched last May at the Saatchi Gallery it was quickly recognised as a major new development with its touch screen controls making it "work for you". The AGA Total Control design and production programmes have led to the conclusion that we should alter our processes so that all our electric AGA products are assembled in the factory. This starts to make the overall purchase process and installation for the AGA far simpler, quicker and cheaper for dealers and consumers alike. The transport cost of a single pallet for a factory finished product is lower. This is of particular importance in international markets where familiarity with the installation and maintenance technicalities of the AGA are lower. For many, for example, a home survey is now unnecessary prior to installation.

For our own sales teams and for dealers there can now be a greater onus on explaining the AGA as the best cooker in the world because of its use of radiant heat ovens producing food that tastes better, the warmth for the home and the classic look which works with all kitchen styles. We are also now seeking more people to use AGA commercially in catering, restaurants and bed and breakfasts in order to see selling AGA on a commission sales basis widening the accessibility of AGA. This is bringing change to our retail and distribution teams reducing the cost of doing business. We have, we believe, the best opportunity ever to make AGA a force overseas. AGA continues to attract a great range of customers. Mary Berry – long the doyenne of AGA cooks – is now renowned for her role in the 'Great British Bake Off'. Models Jasmine Guinness and Daisy Lowe are both AGA enthusiasts, as is the leading French film star Gérard Depardieu.

With Rayburn and Stanley we have rationalised the product offering now that we have acquired Redfyre – which provided an electric line for Rayburn. We are yet to see the progress we want with the multi fuel approach to energy in the home incorporating our innovative eco connect solution and are working harder with installers and our own service team to emphasise the case for the cooker boiler.

For Rangemaster the objective remains to be the supplier of choice for dealers because of our ease to do business with because of our systems and UK supply capabilities. In addition we continue to add to our product offering with new lines – a stainless steel Italian style range is now out – and product range expansion continues as with our sink offer.

Operational Review



The new Falcon Professional+ 100 combines distinctive good looks with outstanding flexibility; a popular choice in France.

Exports accounted for over 25% of sales volumes. France is the leading market but North America remains the market where we should most immediately win new business where the potential for quality stylish range cookers can be made attractive in a growing market used to range cooking.

In North America we have reorganised our offers delivered by AGA Marvel. We are pleased that month by month since the half year we have been operating profitably and the prospects for 2012 are more encouraging as we seek major new retail chains as customers and expand our meaningful geographical presence westwards.

We believe the business can be better balanced with increased sales overseas and as such we believe growing international sales above 50% of the total remains an appropriate target.

Fired Earth with its determined management team made good progress in 2011 in improving margins and lowering the cost base. In 2012 we expect all four product areas to see upturns based on the work on mix and positioning already undertaken. With order intake ahead year to date and the level of design quotations well ahead the outlook is better as we look to a valuation point in 2013. Restoring Fired Earth and Grange to profitability is a key driver of profit growth. For Grange we look to the introduction of the online tool "My Grange" to provide a step change that gives the sales momentum to help deliver the benefits of the work we have done on manufacturing, product finishes and contemporisation of the product offering.

The sale of Foodservice in December 2007 was timely in generating returns for shareholders but it did leave the Group heavily committed to higher ticket consumer markets during a sustained downturn. Our response has been to raise efficiencies and to protect the core capabilities of the Group while investing in new product with an EBIT margin of 10% remaining the objective. We believe that the work is paying off with the product positioning, style and functionality attuned to the consumer needs of today. So, while we do not expect market conditions to improve, we do see that we can shape our strong UK based brands for global success.

Pension funding

The surplus in the Group's main pension scheme at the end of 2011 included in the financial statements was £6.8 million on an accounting basis compared with a surplus of £8.6 million a year earlier. The negligible change over the year reflects the strong correlation of liabilities with assets held; corporate bonds being the largest asset class held.

At 31st December 2008, the effective date of the scheme's last actuarial valuation, the deficit was appraised at £161 million on an actuarial basis and a recovery plan had required payments from 2012 of £10 million per annum. The Actuarial Report as at 31st December 2010 indicated a deficit on a rolled forward basis at that date of £62 million. With gilt yields falling sharply in the second half of 2011 the actuarial deficit is likely to have increased significantly in the year to 31st December 2011.

The actuarial valuation of the scheme as at 31st December 2011 is in the course of preparation. This valuation is being undertaken within the overall structure of the long-term funding agreement made by the Company and the trustee of the scheme in 2008 which targets making the scheme fully funded on a self-sufficiency basis by 31st December 2020. The Company continues to provide £50 million of guarantees in support of the Group's potential obligation to the scheme in 2020 under the agreement. Using preliminary data already available for the 2011 valuation, the parties are now working to modify existing arrangements and agree a medium-term funding strategy which ensures that there is a clear, stable framework for both the scheme and the Group, taking account of the interests of the members of the scheme and other stakeholders in the Group.

Revenue

Group revenues decreased by 3.2% to £250.9 million from the £259.1 million reported in 2010. Second half revenues of £129.5 million were down 4.5%, compared with the first half when revenues were £121.4 million, down 1.6% on the £123.4 million reported in the first half of 2010. Of total revenues 37% were outside the UK (2010: 37%).

Operating profit

The operating profit for the year was £6.1 million, up from the operating profit of £5.1 million reported in 2010. The second half profit of £3.2 million followed on from a first half profit of £2.9 million as the Group benefitted more fully from the operational efficiencies implemented in 2008 to 2010.

Non-recurring costs

Non-recurring costs in the year totalled £2.1 million (2010: £1.4 million). These relate to the final phase of the reorganisation of our AGA Marvel US and Canadian manufacturing and distribution operations. In addition, new opportunities to lower operational costs arose later in the year from the introduction of new systems and new products. Assets held for sale have been reassessed and impaired by £0.9 million as we look to accelerate their disposal.

Finance income

Net finance income for the year was £0.4 million (2010: £0.2 million finance costs). This included interest received on the tax deposits made in relation to taxation returns now agreed. During the year the average interest rate on cash deposits was 0.3% and over 1% on borrowings, which was primarily the cost of currency loans held for hedging purposes.

Profit before tax

Profit before tax in the year was £7.5 million (2010: £3.6 million excluding a pension curtailment gain of £16.3 million).

Taxation

The Group had a tax credit of £5.4 million (2010 restated: £5.8 million charge) on profits before tax of £7.5 million. The tax credit includes a £6.1 million credit being the release of provisions made for tax in respect of prior year tax returns now agreed and a tax charge of £0.7 million, primarily deferred tax.

Moving forward the Group expects the tax rate to be slightly above the UK standard rate of 25% from 1st April 2012 although the impact of any pensions deficit contributions can significantly reduce the cash tax payable.

Earnings per share

Basic earnings per share on continuing operations were 18.8 pence (2010 restated: 20.5 pence) based on an average number of shares in issue of 69.3 million (2010: 69.2 million). Adjusted underlying earnings per share (excluding pension credits and non-recurring costs based on a standard UK tax rate) were 7.1 pence (2010: 5.2 pence).

Dividends

The board is proposing a final dividend of 1.1 pence (2010: 1.0 pence) per share making the full year dividend 1.9 pence (2010: 1.7 pence) per share. The cash cost of the total dividend for the full year will be £1.3 million (2010: £1.2 million). The final dividend will be paid on 1st June 2012, subject to shareholder approval.

Discontinued operations

The post tax profit from discontinued operations of £2.7 million includes a tax credit following the agreement on prior year tax returns of £5.7 million and a charge of £3.0 million. During the year payments were made under certain indemnities provided under the disposal agreement for the Foodservice operation and adjustments made to its continuing provision levels. Since the year end a German appeal court has provided a judgement on the value of the minority interest in a company acquired by the Group in 1998. The value is significantly above that paid by the Group for the majority of the shares. The judgement will cost the Group £7 million - for which provision has been made.

Cashflow

The Group has continued with its disciplined approach to cash management. Cash flow generated from operating activities of £0.1 million in the year followed on from the £15.7 million generated in 2010 and resulted from a determined effort to manage working capital in the face of difficult economic conditions.

The net outflow from working capital in the year was £5.5 million (2010: £8.7 million inflow) following the £31.6 million generated from working capital in the two years to 31st December 2010.

Capital expenditure including intangibles in the year totalled £8.4 million compared to £5.7 million in 2010. The charge for depreciation and amortisation of intangibles in 2011 was £7.3 million (2010: £8.3 million).

£7.5 million was received during the year from the disposal of assets held for sale relating to the freehold of certain properties sold in January. The resulting net cash position at 31st December 2011 was £31.3 million (2010: £34.6 million).

Key Risks and Uncertainties

Key risks and uncertainties facing the Group

The board regularly reviews the risks faced by the Group, including business and wider social, environmental and ethical issues. Risk is an inherent part of doing business and the intention of AGA Rangemaster's risk management process is not to avoid all risk, but to identify, manage and, where appropriate, mitigate risks through the balance of risk versus reward. Details of our systems of internal control and risk management are set out on pages 28 and 29 of the report and this section describes the processes through which risks are assessed, managed and mitigated. The directors consider the principal risks and corresponding mitigation set out below represent the principal uncertainties that may impact on the Group's ability to effectively deliver our strategy in the future. The board recognises the profile of the risks changes constantly and additional risks not presently known, or that are currently deemed immaterial, may also impact on delivery of the Group's strategy.

Risks to the Group

Pension scheme

Risk – The Group is the sponsor of a large pension scheme and can be called on to meet funding deficits. The required periodic revaluations of the pension scheme may highlight a worsening deficit that may require the Company to provide additional cash contributions or guarantees to meet future funding needs. This could severely constrain the finances of the Group.

Mitigation – The Group works closely with the trustee of the main pension scheme and has in place a long-term funding strategy to manage closely assets and liabilities in relation to each other. The defined benefit scheme is closed to new entrants and pensionable salaries were frozen in 2009/10.

Funding

Risk – The Group has bank facilities requiring renewal over the next two years. Changes in the banking market since the facilities were put in place in 2008 may affect renewal.

Mitigation – The Group maintains an ongoing dialogue with its bankers and keeps them informed of the Group's progress against its business plans and financial covenants.

General economic conditions

Risk – The Group's operations are sensitive to global economic conditions and levels of consumer confidence particularly since the housing market slowed in 2007. This could impact on the Group's revenues and if the downturn persists or worsens and may impact on currently planned production levels and profitability. A global economic recovery would bring benefits given the operational gearing of the Group, but could also result in an increase in raw material prices or restrict the availability and quality of components.

Mitigation – The Group reviews financial forecasts and monitors economic conditions (in particular housing market trends in the UK and the US) to assess the impact on its budget and strategic plans. The Group seeks to increase international sales and to reduce individual market dependency. Internal processes are in place to continually monitor progress and the availability of raw materials and components.

Financial instruments

Risk – The Group is exposed to foreign exchange and interest rate risks as it sells its products and sources components world-wide. Significant movements could impact on future profitability and cashflow. For further details see note 19 to the accounts.

Mitigation – The Group's treasury policy sets the framework for hedging foreign exchange and interest rate risks. The Group offsets currency flows internally where possible and puts in place foreign exchange contracts, where appropriate.

Operational Risks

Competition/margin erosion

Risk – Competitors may introduce upgraded products and increase their marketing expenditure, which may impact on market share. There could be downward pressure on pricing if the sector accepts lower margins. Reduced demand for our products or being less price competitive could impact the Group's ability to deliver its strategy and business plans.

Mitigation – We actively invest in new product development and design capabilities. New products are extensively researched and market tested. We constantly monitor our market position and competitor strategies. Value engineering programmes assist with the maintenance and enhancement of margin and pricing strategies.

Intellectual property

Risk – The Group owns several well known brands and other intellectual property. Failure to protect our rights in our existing and in potential new markets could lead to a reduction in their value.

Mitigation – We actively monitor the market to identify and address breaches of our rights. We register trade marks, patents and designs in existing and new markets and take legal action as appropriate.

Over reliance on any individual customer or supplier

Risk – The Group's profitability could be impacted if any single customer became business critical or an individual supplier dominated our manufacturing process. Changing approaches to distribution emanating from increased consumer use of the internet could alter dealer and distributor structures and the industry.

Mitigation – The Group sells its products through a wide range of channels and markets which helps to minimise single customer reliance. We avoid over reliance on any single supplier and monitor our supply chain accordingly.

People

Risk – Loss of key personnel or the failure to plan adequately for succession or to develop new talent could damage the future prospects of the Group. Competition for quality personnel is intense and the Group may not be successful in attracting or retaining suitably qualified personnel, such as skilled engineering staff. Loss of key employees and delays in recruiting new personnel could harm the Group's business and in time our competitive advantage may erode.

Mitigation – The Group has succession and development plans in place for key personnel and these are reviewed and updated at least annually. The Group HR director oversees talent management and recruitment of key personnel. Remuneration packages including fixed, variable and long-term elements and compensation arrangements are regularly benchmarked to ensure the Group's remuneration policy remains in line with market practice.

Regulatory Risks

Legal, regulatory and litigation

Risk – The Group's operations or its products may fail to comply with laws and regulations in the markets in which it operates. We may take legal action against third parties to enforce our rights or face litigation from third parties. This may result in reputational damage and financial cost.

Mitigation – We are committed to the highest standards and conduct regular audits covering business processes and behaviours to ensure compliance with the relevant laws and regulations.

Health, safety and environmental

Risk – A health and safety incident could result in serious injury to the Group's employees, visitors to our premises or customers. An environmental incident could impact on the community in which we operate. The environmental performance and reputation of our products may affect customer demand.

Mitigation – We are committed to the highest standards and conduct regular audits to ensure compliance with relevant laws and regulations. Accreditation to ISO 9001:2008, ISO 14001:2004 and BS OHSAS 18001:2007 ensures a framework is in place with clear policies and procedures and these are regularly reviewed at operational and board level. Our product development and value engineering programmes help ensure product performance and benefits are continuously improved, taking advantage of new and emerging technologies.

Corporate Social Responsibility

Introduction

AGA Rangemaster's corporate social responsibility ('CSR') programme is aligned with the Group's business strategy and addresses the important CSR-related risks and opportunities we face. Our Statement of Core Principles sets out our undertaking to act ethically and responsibly in all our business relationships and dealings with stakeholders. We are committed to continuous improvement in all aspects of CSR – our policies, our systems, our performance and our reporting.

Our CSR programme aims to enhance the sustainability of our business and products. It includes responsible sourcing, our community activities, our health, safety and environmental programmes and our engagement with employees, customers and other stakeholders. As a manufacturer and supplier of range cookers, kitchen and related home fashions products, the Group sees product stewardship as a key part of its CSR programme. We work to design our products to be more energy efficient in use, to have a high degree of recyclability and to utilise eco-friendly and sustainable energy solutions.

In addition to this report, the Group provides CSR related information on its website and in the full 2011 CSR Report which will be published online in May 2012. The 2011 CSR Report will include further details of our policies and performance with case study examples describing policy implementation and effectiveness under each of the following headings.

Management of CSR

The chief executive is accountable to the board for the Group's CSR policies and procedures. He is supported by the Group HR director and by the senior management team. The management of each operation has responsibility for CSR and is accountable to the chief executive in respect of all CSR matters. Environmental, health and safety policies are included in the schedule of matters reserved for board approval and CSR is included in the ongoing risk management process.

In 2011, the Group continued with its programme of internal CSR audits which complement the implementation of ISO 9001:2008, ISO 14001:2004 and BS OHSAS 18001:2007. The internal audits cover a range of compliance matters and are undertaken by functional specialists reporting to the Group HR director with support from external advisers, where appropriate.

During 2011, a further two of the Group's ten manufacturing operations were covered by the CSR/compliance audit process which assists with the development of benchmark standards of best practice across the Group. This takes the total to eight sites covered by the audit process during the last two years. The Group has an online improvement notice system to streamline the issue resolution process across the Group. In addition to audit related and general health and safety and environmental issues and opportunities, the system is also used to monitor other commercial, supplier and delivery related issues and to implement improvements.

The AGA Rangemaster Group participates in the Carbon Disclosure Project and is a member of the FTSE4Good index and uses these, in conjunction with stakeholder consultations, and other benchmarks, to help identify key priorities and to drive progress.

Stakeholder engagement

The Group engages in proactive two way dialogue with stakeholders and liaises with shareholders, employees, customers, suppliers, local communities, government bodies, other authorities and non-governmental organisations. This dialogue and engagement includes customer feedback, hall testing of products, market research, meetings with shareholders, investor relations communications and website briefings. We evaluate the feedback from our supply chain audits and from direct and indirect liaison with governmental and non-governmental organisations. We review the impact of our operations on local communities, especially where we directly engage with neighbours and through our charitable and community activities. Our policy on employee engagement is further discussed below.

Human resources

We see our people as key to the Group's ongoing success and the Group HR director takes an active role in developing and embedding best practice and benchmarking procedures around the Group.

During the year, the Group employed an average of 2,532 people in seven countries. Some 72% of our staff are located in the UK, 19% elsewhere in Europe and 9% in North America. 97% are permanent employees, 71% are male and 29% are female. Of those in management roles, including retail managers, 59% are male and 41% are female.

Approximately 20% of staff work in our retail operations and with the balance at manufacturing sites and office locations.

Voluntary staff turnover during the year was on average 10% across the Group. Total staff turnover was 11%. Lost time as a proportion of working time was 3.2%, including 0.14% of working time lost due to work-related health and safety.

Human resources policies

The Group's policy is to invest in its people and to encourage them to develop to their maximum potential according to the needs of our operations and our customers.

The Group's Code of Conduct for employees was introduced in 2001 and is regularly updated, most recently to take account of the UK Bribery Act. The Code outlines the standards of integrity and honest conduct expected, and explains that breaches of Company policy can result in disciplinary action and dismissal. The Code of Conduct is published on the Group's website and includes the whistleblowing policy which enables employees and others to report any breaches of the Code, fraud or any other criminal acts in confidence and without fear of retribution. All employees worldwide may use the internal whistleblowing provisions and UK and US employees may also use the independent external services available in those areas. All reports are logged and monitored by the audit and risk committee and appropriate investigations and action undertaken.

The Group has a policy of actively communicating with employees concerning the development of the Group. Management hold face-to-face briefing sessions to keep employees informed, to explain how developments may affect them, to ensure their appropriate involvement and to receive feedback. Employee communications are supported by local newsletters and communications on site notice boards. The Group-wide intranet is regularly updated with information from all Group companies and is used as a communications medium to reinforce policies and common themes, including in relation to health and safety, environmental, core values and employee benefits. We continue to develop content and comments from employees are welcomed. Employees are encouraged to access the Group's websites and the intranet.

We support the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work concerning the fundamental rights, including freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced or compulsory labour, the effective abolition of child labour and the elimination of discrimination in respect of employment and occupation.

The Group is committed to providing equality of opportunity to all employees without discrimination and applies fair and equitable employment policies throughout the recruitment process and during employment with the Group. Appointments are determined by application of job criteria and competency. The Group encourages recruitment, training, career development and promotion on the basis of aptitude and ability, without regard to disability. Where appropriate it is also committed to retaining and retraining of employees who become disabled during the course of their employment.

Some 73% of our employees are located at operations which have official union recognition and local management hold regular meetings with trade unions and works council forums as appropriate.

As noted above, the Group invests in the capabilities of its employees and encourages them to be involved fully in their development and training. Some 2,524 days of 'off-the-job' training were recorded during the year. This is in addition to 'on-the-job' and 'tool-box' training.

Environmental, health and safety

The Group recognises that it is part of the wider community and that it has a responsibility to act in a way that respects the environment and the well-being of others. The Group is committed to the continuous improvement of its environmental, health and safety ('EHS') performance and to enhancing the overall sustainability of its operations, products and services. The Group's EHS policies are published on the website and are underpinned by appropriate detailed procedures within each of the Group's operations. Management are responsible for implementation and for keeping all concerned informed of best practice and of statutory and legal requirements. Policies and practices are reviewed and updated for changes in legislation and employees are made aware of the policies and their responsibility to ensure that these are effectively applied. The chief executive is accountable to the board for EHS matters, supported by the Group HR director. In practice all employees are responsible for implementing our EHS policies and for identifying opportunities for improvement.

The Group HR director ensures performance is regularly reviewed, that objectives and targets are set for improvement and for the benchmarking, leveraging and promoting best practice. As noted above, the system of CSR/compliance audits supports this work and external consultants are utilised when specific needs arise. Performance is regularly reviewed by the board.

Health and safety targets and performance

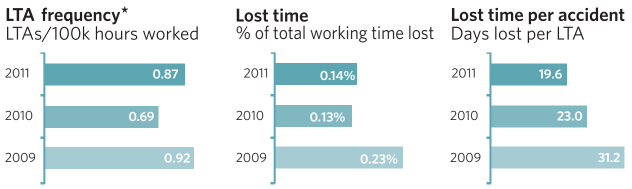
It is important for the Group to provide and maintain a safe environment for all employees, customers and others affected by its operations. The Group complies with relevant health and safety legislation in the jurisdictions in which it operates. The Group's health and safety policy and performance is regularly reviewed by the board.

The Group uses a number of key performance indicators ('KPIs'), to monitor accident frequencies, accident causes and the amount of time lost at all operations and sets annual improvement targets.

All our locations have health and safety management systems in place. During the year four further sites were accredited to BS OHSAS 18001:2007, the occupational health and safety standard, bringing the total number of accredited sites to eight of our 14 office, warehouse and manufacturing locations. All manufacturing sites in the UK, Ireland and North America are now accredited. Our objective is to achieve accreditation at one of our French manufacturing sites by 2013.

Across the Group the frequency of lost time accidents ('LTAs') was up by 27% in 2011 to 0.87 LTAs per 100,000 hours worked which is behind our target of a 5% reduction, although lower than the 0.92 recorded in 2009. The lost time due to accidents as a proportion of working time was up by 7% to 0.14%. A review of the causes of the increase by the Group HR director indicates no underlying systemic cause for the increased LTA frequency.

The average lost time per LTA was reduced by 15% to 19.6 days which was ahead of the targeted 5% reduction and reflects a trend towards more but less severe accidents. Our embedded risk management practices and 'return to work' initiatives have helped achieve this improvement. The Group's long-term aim is to have no accidents. We will maintain our target of reducing LTA frequency by 5% in 2012.



* Lost time accident (LTA): accident which results in one or more days lost time.

We monitor accident causes on a consistent global basis, covering accidents which result in lost time and non-lost time accidents. The most common causes of accidents across the Group are cuts and abrasions followed by manual handling related injuries. We will continue to focus particularly on reducing accidents in these areas, specifically targeting locations with below average performance. For example, during 2011 one of our sites trialled 'cut factor 5' gloves with a Kevlar liner. These provided better protection against cuts, whilst maintaining comfort and dexterity. Following the successful trial, which saw a reduction of 37% in cuts and lacerations, this personal protective equipment will be rolled out at our other sites.

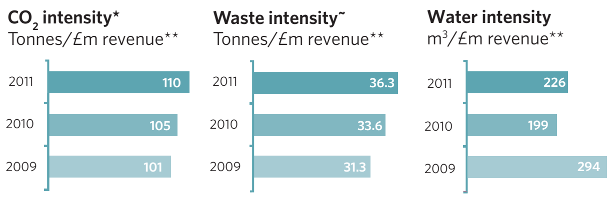
Environmental targets and performance

We work to minimise the impact of our business on the environment and to enhance the sustainability of the products we make and sell. The Group's environmental impacts include the climate change related emissions due to the use of energy in our manufacturing and other facilities and for transport, the water consumption and the waste and recycling arising from our manufacturing processes and general business operations. The environmental data in this report covers 100% of Group revenue.

The Group's CO_2 emissions intensity over the two years 2009-11 was up 9% to 110 tonnes per £million revenue. Thus we did not achieve our target of a 5% reduction over the two year period 2009-11. The increased intensity reflected lower revenue, particularly in the second half of 2011 and was in part due to the increased energy used as stock increased. In addition, our retail and production sites used additional energy for space heating during the winter of 2010-11 compared with 2009-10. Total 2011 CO_2 emissions due to energy use and in-house transport were some 27,500 tonnes, up from 27,300 tonnes in 2010 and 24,700 tonnes in 2009.

Waste intensity increased by 16% over the two years 2009-11 to 36.3 tonnes per £million revenue. Waste-related performance was behind our targeted 5% reduction in waste intensity over the two year period 2009-11. This increased intensity reflected a number of one-off disposals of some 500 tonnes of historic waste at sites preparing for accreditation to ISO 14001:2004, in addition to the lower revenue referenced above. Total waste in 2011 was some 9,100 tonnes up from 8,700 tonnes reported in 2010 and 7,700 tonnes reported in 2009. The proportion of total waste which was recycled in 2011 was 66% which was behind both the 70% reported in 2010 and the 74% reported in 2009. The decrease in the recycling rate was due to both the one-off disposals referred to above and low demand for some recycled materials which were diverted to other means of disposal.

Water intensity reduced by 23% over the two year period 2009-11 to 226m³ per £million revenue. This was ahead of our target for a 5% improvement. Reductions in water use were a major focus over the two-year period, although water intensity did increase during 2011 in part as a number of water-intensive processes were brought in house. As a result, water use in 2011 was some 56,600m³ up from 51,600m³ in 2010 but down from 72,000m³ in 2009. Plans are in place to reduce the amount of water used in the water intensive processes mentioned above.



* Includes CO_2 emissions due to energy use and in-house transport operations.
** Constant currency basis with prior years restated and updated to reflect changes in reporting methodology.
~ Hazardous and non hazardous waste. Includes recycled material.

The Group supports the adoption and implementation of environmental management systems across its operations. A total of 14 locations have environmental management systems in place. The AGA sites at Ketley and Coalbrookdale, the central distribution site at Leamington Spa, Waterford Stanley in Ireland and the sourcing office in Hong Kong all achieved accreditation to ISO 14001:2004 during the year, bringing the total number of accredited sites to eight and the proportion of manufacturing sites revenue covered by ISO 14001:2004 to 86%. Our objective is to achieve accreditation at one of our French manufacturing sites by 2013.

Compliance

There were no environmental or health and safety related fines, penalties or prosecutions reported during the year.

Product stewardship

The Group continues to place great emphasis on consumer and environmental issues. We are committed to minimising the environmental impact of our products during manufacture, in use and at the end of life. We aim to offer our customers well designed, quality products that have been sustainably sourced, are energy efficient and have a high degree of recyclability, which is an inherent benefit of the use of cast iron material.

We are also pursuing eco-friendly and sustainable energy solutions to help ensure that our products address increasing concerns over the use of energy and the related CO_2 emissions.

Supply chain – ethical trading policy

The board recognises the importance of managing its supply chain to ensure, so far as is practicable, that its direct and indirect suppliers adopt the same core principles as the Group. The Group first introduced an ethical trading policy in 2002. This encompasses a set of global sourcing principles covering fair terms of employment, human rights, health and safety, equal opportunities and good environmental practice. All operating companies are required to review supplier compliance with this policy, identify any areas of non-conformance and take action where appropriate. The Group monitors the quality, design and availability of all sourced components and products, to ensure high standards are maintained. The Group's supplier development programme has been updated to include a more comprehensive monitoring questionnaire to help ensure suppliers conform to standards set by the Group.

All print and paper sourced by the Group is accredited to Forest Stewardship Council ('FSC') and the Program for the Endorsement of Forest Certification ('PEFC') standards.

Customers

The Group's customer service strategy is to respond rapidly to evolving customer demand, to identify and anticipate emerging needs and to improve continuously product availability, quality and value. Our quality management systems help ensure that our products meet or exceed customer requirements with 86% of the Group's manufacturing site revenues covered by ISO 9001:2008.

In the coming year we will further engage with our customers to reinforce our product stewardship and other customer related initiatives. Our customer relationship management team keeps owners and potential owners of our products up to date on our new product and sales initiatives.

Customer communications

Evolving technology makes it now far easier for customers - actual and potential - to communicate with the Group and with each other. In addition, to working systematically to keep its websites up to date, AGA Cookshop, Divertimenti and Fired Earth, in particular, have established and upgraded their transactional websites. Social media is an exciting development to which the Group is responding actively. This can be seen with the AGA and Rangemaster brands' presence on Facebook and the Group's presence on Twitter.

Community involvement

Each of our operations and their employees are encouraged to become involved with and to support local community projects, educational establishments, charities and other causes. This support takes various forms including donations, fundraising, payroll giving or personal time and commitment. Our retail operations also organise events and allow charities to hold meetings in their outlets. Charitable initiatives include financial and product donations, equipment maintenance and employee involvement.

During the year, the Group extended its links with educational establishments and supported a number of educational and developmental causes. Examples include:

- The Group is a founder member of IDEA Birmingham, a business-university collaboration promoting design-driven innovation, knowledge transfer and the recognition of the vital role of emerging talent necessary for innovation, renewal, job and wealth creation. The Group devised and created the website to support the awards to be part of a Design Expo to be held at the Mailbox in Birmingham in June 2012.
- A programme with Hadley Learning Community, a specialist engineering college, based close to the AGA site in Ketley. AGA works in partnership with the college to encourage young peoples' interests in engineering. This includes factory tours and talks for the students about the work environment and skills required in engineering. We also assist year 11 students with CV preparation and interview techniques to help them move from education into the workplace.
- The Group continues to work with Birmingham City University and the Knowledge Transfer Partnership ('KTP'). Two KTP associates are currently placed with the Group. One focusing on renewable technology, working on dedicated projects within research and development and the other on the digitising aspects of Company archives with the emphasis on harnessing corporate memory to address commercial opportunities.

In addition, the Group and its employees supported a number of other initiatives, including close working with local communities and volunteer groups:

- AGA Rangemaster employees in Leamington Spa continue to support Myton Hospice in Warwick as their chosen charity and, through payroll giving and fundraising events, donated a further £5,700 during 2011.
- The Group continues to support Birchfield Harriers and its members as they target selection for the Great Britain team for 2012.
- AGA Rangemaster in the UK is supporting the Ladies' Open Championship Point-to-Point race meetings with 51 races around the country culminating with a final at the Hunter Chase Evening at Cheltenham Racecourse on 2nd May 2012. The champion will be presented with an AGA Total Control.

Verification

In addition to our internal CSR audit programme, those operations certified to ISO 14001:2004 and other standards are subject to regular external audits. Since March 2002 the Group has also been advised by CSR Consulting Ltd, who assist the Company in evaluating its policies and procedures and with the reporting and review of its CSR related performance. CSR related risks are included in the Group's risk management process and at present the board does not believe that an overall external CSR audit would be appropriate. However, where required the Group utilises external specialists as necessary. The information in this CSR report is not subject to audit by Ernst & Young LLP.

The Board of Directors

John Coleman (B*,A,N*,R)

Chairman (independent)

John Coleman was appointed an independent non-executive director in March 2008 and became chairman of the board in May 2008. John chairs the nomination committee and became a member of the audit and risk and remuneration committees in January 2010. John is currently a non-executive director of Travis Perkins plc. He was chief executive of House of Fraser plc from 1996 to 2006. He is a chartered management accountant.

William McGrath (B)

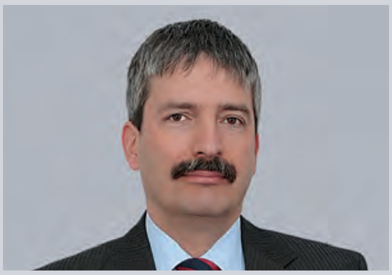
Chief executive

William McGrath was appointed chief executive in March 2001. William joined the Group as finance director in October 1997 from Aggregate Industries plc where he had become finance director in 1992. He had previously worked in the investment banking and construction sectors. He is a qualified accountant and a history graduate.

Shaun Smith (B)

Finance director

Shaun Smith was appointed to the board as finance director in March 2001. Shaun joined the Group from Marks and Spencer plc in 1989 and worked in treasury becoming the group treasurer in 1999. He is a Governor of Birmingham City University. He is a qualified treasurer and economics graduate.



Jon Carling (B,A,N,R)

Non-executive director (independent)

Jon Carling was appointed an independent non-executive director in October 2010. Jon was appointed an executive vice president at Rolls Royce in February 2011. Prior to that he was chief operating officer at Aston Martin Lagonda and held a number of senior engineering positions with Jaguar Cars. He is a graduate in mechanical engineering.

B Board member
A Audit and risk committee member
N Nomination committee member
R Remuneration committee member
* denotes chairman of the board or committee

The Board of Directors

Paul Dermody OBE (B,A*,N,R)

Non-executive director (senior independent director)

Paul Dermody joined the board in March 2004 and chairs the audit and risk committee. Paul became the Company's senior independent director in November 2010. Paul is a non-executive director of Majestic Wine PLC and Chairman of the trustees of The National Football Museum. He was formerly chief executive of De Vere Group Plc. He is a chartered management accountant.

Paul Jackson (B,A,N,R*)

Non-executive director (independent)

Paul Jackson joined the board in December 2005 and chairs the remuneration committee. Paul has spent his career in advertising. He started his career with Saatchi & Saatchi and later became executive managing partner and vice chairman of Ammirati Puris Lintas. He joined Ogilvy & Mather, part of the WPP Group in 1999. He was a director at Ogilvy Group and Chief Executive of Ogilvy & Mather until 2007.

Pam Sissons

Company secretary

Pam Sissons joined the Group in 1999 and was appointed company secretary in October 2004. She is a Fellow of the Chartered Insurance Institute and an Associate of the Chartered Institute of Secretaries and Administrators.

Advisers

Financial advisers and stockbrokers

Espirito Santo Investment Bank
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7AL

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Auditor

Ernst & Young LLP
No 1 Colmore Square
Birmingham B4 6HQ

Financial public relations

Brunswick Group LLP
16 Lincoln's Inn Fields
London WC2A 3ED

Principal bankers

HSBC Bank plc
Lloyds Bank plc
Svenska Handelsbanken AB

Solicitor

Allen & Overy LLP
One Bishops Square
London E1 6AD

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone UK: 0871 384 2355*
International: 0044 121 415 7047

*Calls to this number cost 8 pence per minute from a BT landline, other providers' costs may vary. Lines are open 8.30am to 5.30pm, Monday to Friday.

Directors' Report

The directors present their report together with the financial statements and the independent auditor's reports for the year ended 31st December 2011.

Principal activities

AGA Rangemaster Group plc is a public limited company incorporated in England, registered company number 00354715.

The principal activities of the Group comprise the manufacture and sale of range cookers, kitchen and related home fashions products. The principal trading subsidiaries and the countries in which they operate are shown on page 71.

Business review

A detailed review of the Group's activities, strategy and future plans is contained within the business and finance review on pages 3 to 19. The information contained in those sections fulfils the requirements of the business review, as required by Section 417 of the Companies Act 2006 and should be treated as forming part of this report.

This information is prepared solely to assist shareholders to assess the Company's strategies and the potential for those strategies to succeed. The directors' report should not be relied upon by any other party or for any other purpose. Forward looking statements have been made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including economic and business risk factors.

Results and dividends

The profit attributable to equity shareholders for the period was £15.7 million (2010 restated: £14.2 million) and is shown in the consolidated income statement. An interim dividend of 0.8 pence per share was paid on 7th December 2011. The directors are proposing a final dividend of 1.1 pence per share be paid on 1st June 2012 to those shareholders on the register at 20th April 2012, subject to shareholder approval. This would bring the total dividend for the year ended 31st December 2011 to 1.9 pence per share (2010: 1.7 pence).

Post balance sheet event

The Company has received a judgement from a German court in 2012 relating to the valuation of a minority shareholding in a business which the Group acquired in 1998 and sold in 2001 as part of the Pipe Systems disposal and therefore expects settlement payments to be made in 2012.

Directors and their interests

The names and biographical details of those persons serving as directors of the Company as at the date of this report are shown on pages 20 and 21. All directors are offering themselves for re-election at the Annual General Meeting ('AGM') as set out in the corporate governance report on pages 25 and 29. Details of directors' service agreements or letters of appointment are set out in the directors' remuneration report on pages 34 and 35.

The interests of the directors in shares of the Company and share options are set out in the directors' remuneration report in the tables on pages 33 and 36 respectively.

Articles of association

The board of directors may exercise all the powers of the Company, subject to the provisions of relevant statutes, the Company's articles of association (the 'Articles') and any directions given by a special resolution of the shareholders.

The Articles, for instance, contain certain specific provisions and restrictions regarding the Company's power to borrow money. Powers relating to the issuing and buying back of shares are included in the Articles and are subject to such authorities being approved annually by shareholders at the AGM, should the directors recommend that it remains appropriate to retain such flexibility. The rules for the appointment and replacement of directors are set out in the Articles, The UK Corporate Governance Code, the Companies Act and related legislation. The Articles can only be changed by a special resolution passed in a general meeting of shareholders.

Directors' indemnities

As permitted by the Articles, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the financial year and remains in force. The Company has also purchased and maintained throughout the same period appropriate directors' and officers' liability insurance coverage in respect of the Company, its subsidiaries, its directors and officers.

The Trust Deeds to the Company's principal UK pension schemes include the provision of an indemnity from the Company to the scheme trustee's directors, to the extent permitted by the law.

Capital structure

At 9th March 2012, the issued share capital of the Company is £32,467,604 divided into 69,264,223 ordinary shares of 46⁷/₈ pence each. Details of the movements in the issued share capital and share-based payments can be found in note 22 to the accounts. The Company has one class of ordinary shares which rank equally with respect to voting rights and rights to receive dividends. On a show of hands at a general meeting every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote. On a poll each share carries the right to one vote. Deadlines on exercising voting rights are set out in the Notice of AGM and in the Form of Proxy.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that might result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Under the Articles, the directors have authority to issue ordinary shares up to the aggregate amount set at the AGM.

Change of control

There are a number of agreements that take effect after, or terminate upon, a change of control of the Company, such as commercial contracts, bank facility agreements, guarantees, property agreements and employee share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the directors are not aware of any agreements between the Company and its directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover.

Substantial shareholdings

At 31st December 2011, the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting interests. There have been no changes notified to the Company up to the date of this report.

Notifying person(s)	% of voting rights and issued share capital	Ordinary shares of 46 7/8p each
J O Hambro Capital Management Group Ltd	11.03	7,639,309
Henderson Global Investors Ltd	9.92	6,880,108
Standard Life Investments Ltd	8.13	5,632,757
J P Morgan Asset Management Holdings Inc	6.15	4,256,476
BlackRock Inc	5.01	3,467,943
Legal & General Group Plc	3.81	2,644,302

Employees

Full details of the arrangements relating to employees are described in the corporate social responsibility report on pages 16 and 17 under human resources and policies. The average number of employees within the Group is shown in note 5 to the accounts.

Charitable and political donations

Charitable donations made during the year were £40,427 (2010: £36,386). These donations were made across the operations principally to local charities serving the communities in which the Group operates. No political donations were made or political expenditure incurred during the year (2010: nil).

Research and development

Research and development plays an important role in the development of the Group. Product innovation has been a key feature of the Group's strategy. Development departments across the Group are increasingly working together to develop products for our international customer base. The Group capitalises certain development spend under IAS 38. During the year, the Group capitalised expenditure on development of £2.1 million (2010: £1.7 million). The aggregate expenditure in the last five years has been £11.1 million.

Supplier payment policy

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of the terms of payment and to endeavour to abide by those terms and conditions, subject to the supplier performing to its obligations. Group trade payables at the year end equated to 76 days of related purchases (2010: 76 days). The Company is a holding company and does not have trade creditors.

Treasury management

The Group's policy on the use of financial instruments and the management of financial risks is set out in note 19 to the accounts.

Going concern

The directors have assessed the financial position and the future funding requirements of the Group and the Company and compared them to the level of available committed borrowing facilities. Details of cash and borrowing facilities are set out in note 18 to the accounts. The Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk are set out in note 19 to the accounts.

The directors' assessment included a review of the Group's financial forecasts, financial instruments and hedging arrangements for the 15 months from the balance sheet date. The directors considered a range of potential scenarios within the key markets the Group serves including future potential arrangements with the trustee on the funding of the Group's main pension scheme and how these may impact on cash flow, facility headroom and banking covenants.

The Group and Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business and finance review on pages 3 to 19. The directors also considered what mitigating actions the Group could take to limit any adverse consequences.

Having undertaken this assessment, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and so determine that it is appropriate for the 2011 Company and Group financial statements to be prepared on a going concern basis.

Disclosure of audit information

Each of the directors at the date of approval of this annual report confirm that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

Ernst & Young LLP have expressed their willingness to continue in office as independent auditor and resolutions to re-appoint them and to authorise the directors to determine their remuneration will be proposed at the forthcoming AGM.

Annual General Meeting

The AGM of the Company will be held at Mallory Court Hotel, Leamington Spa, Warwickshire at 11.00 a.m. on 3rd May 2012. The notice convening the meeting, together with the special business to be considered and explanatory notes for each resolution, is distributed separately to shareholders. It is also available on the Company's website: www.agarangemaster.com, where a copy can be viewed or downloaded in 'PDF' format by following the link to Investor Relations and then AGM or Report & Accounts.

By order of the board,

P M Sissons
Company Secretary
9th March 2012

Statement of Directors' Responsibilities

Statement of directors' responsibilities

The directors are responsible for preparing the annual report, the remuneration report and the Group financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and the remuneration report in accordance with the applicable law. The Group financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state that the Group financial statements comply with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the Group financial statements and the remuneration report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company website. The work carried out by the auditor does not involve consideration of these matters and, accordingly the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

The directors confirm that to the best of their knowledge:

- the Group financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- the business and finance review, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties they face.

By order of the board,

W B McGrath
Chief Executive
9th March 2012

S M Smith
Finance Director

Corporate Governance Report

The Company is committed to high standards of corporate governance and supports the principles laid down in The UK Corporate Governance Code adopted by the Financial Reporting Council in June 2010 (the 'Code'). This statement describes how the principles of the Code are applied and reports on the Company's compliance with the Code's provisions.

The directors consider that the Company has been in compliance with the provisions of the Code throughout the year ended 31st December 2011.

The board

The board of directors currently has six members, comprising the non-executive chairman, chief executive, finance director and three further independent non-executive directors. Biographical details of each of the directors are given on pages 20 and 21. The board is of sufficient size and the directors have the balance of skills and experience to be appropriate for the requirements of the business. All of the directors bring strong judgement to board deliberations. The Company considers that, on appointment, the chairman was independent for the purposes of provision A.3.1 of the Code. At all times there has been a majority of independent non-executive directors on the board, in compliance with provision B.1.2 of the Code.

The chairman and chief executive

There is a clear division of responsibility between the roles of chairman and chief executive which are set out in writing and agreed by the board. The chairman is responsible for the leadership and effectiveness of the board. His role is to ensure that each non-executive director makes an effective contribution to the board through debate and discussion with the executive directors. The chairman ensures that the board receives accurate, timely and clear information ahead of each board meeting and that adequate time is available at meetings to consider all agenda items, in particular strategic issues. The chairman communicates frequently with the non-executive and executive directors. Directors are encouraged to discuss any issues or concerns with the chairman at any time throughout the year and to ensure that any unresolved issues are formally minuted. The chairman and non-executive directors meet during the year without the executive directors present.

The chief executive is responsible for the day-to-day running of the business, carrying out agreed strategy and the delivery of performance in line with objectives. The chief executive is supported by the finance director and senior management who meet regularly with the operational management to review performance and deal with the operational requirements of the business. Senior management are regularly invited to attend and present at board meetings.

Senior independent director

The senior independent director, Paul Dermody, served in this capacity throughout the year. He is available to shareholders if they have any concerns which are not resolved through the normal channels of chairman, chief executive or finance director; or in circumstances where the normal channels are inappropriate.

Re-election

In accordance with the Articles, each director will stand for election by shareholders at the first AGM following their appointment and for re-election at least every three years. Non-executive directors are initially appointed for a term of three years subject to election and re-election as set out above, and subject to satisfactory performance, the three year term of appointment may be renewed. Should a non-executive director serve for more than six years their re-election would be subject to particularly rigorous review. The board has resolved that all directors who are willing to continue in office will stand for re-election by shareholders at the 2012 AGM to comply with the best practice provision B.7.1 of the Code.

Role of the board

The board is collectively responsible to the shareholders for the long-term success of the Company. The board meets regularly throughout the year and has a schedule of matters reserved to it for decision making including responsibility for the proper management and overall performance of the Group; the approval of long-term objectives and commercial strategy; the approval of annual and interim results; annual budgets; changes to the capital structure; major capital projects and expenditure, including acquisitions and disposals; major changes to the rules and funding of the Company's pension schemes, the approval of treasury policies and assessment of the going concern position, corporate governance arrangements; social, environmental and ethical matters.

Board members are given appropriate documentation in advance of each board or committee meeting. This normally includes a detailed report on the Group's financial position, operational updates and comprehensive briefing papers on matters where the board will be required to reach a decision. Senior executives below board level attend board meetings to provide updates on business activities, performance and strategic progress. A forward rolling business agenda is updated after each meeting of the board and committees to include specific topics to be reviewed at future meetings.

There is an established procedure for the preparation and review, at least annually, by the board of medium-term plans and the annual budget. The business reports monthly on its performance against its agreed budget. The board receives a monthly update on performance and reviews any significant variances at each of its meetings. At least one meeting each year is devoted to reviewing and agreeing corporate strategy.

The basis on which the Group generates value and delivers its strategic objectives is described in the business model on pages 9 to 12.

Commitment

Each director is required to disclose their other significant commitments to the board prior to appointment and when there is any significant change. Both the nomination committee and the board are satisfied that the directors are able to allocate sufficient time to their responsibilities relating to the Company.

Conflicts of interest

In line with the Companies Act 2006, the Articles were amended in 2008 to allow the board to authorise potential conflicts of interest that may arise and to impose limits or conditions, as appropriate. Any decision of the board to authorise a conflict can only be made by those directors who have no interest in the matter being considered and in making such decision, the directors must act in a way they consider, in good faith, will be most likely to promote the success of the Company.

There is a procedure in place whereby actual or potential conflicts of interest are regularly reviewed and for the appropriate authorisation to be sought prior to the appointment of any new director or if a new conflict arises. During the year this procedure was adhered to and operated effectively.

Training and development

On joining the board all directors receive appropriate induction training which is tailored to the director's specific needs. Directors receive regular updates appropriate to the business throughout the year. Training and development needs are reviewed by the chairman at the annual appraisal and evaluation meeting with each director and where appropriate, the Company provides resources for directors to develop and refresh their knowledge and capabilities as required. The non-executive directors are encouraged to visit the Group's manufacturing and retail locations to enable them to gain a greater understanding of the Group's activities and to meet senior managers throughout the business.

Performance evaluation

A formal evaluation of the performance of the board, its committees and the individual directors was undertaken during the year. This consisted of an internally run exercise led by the chairman with the assistance of the company secretary. The appraisal questionnaire used in connection with the process was wide-ranging and based on questions outlined in the Code, covering both board and committee performance. The schedule of matters reserved for the board, the roles of the chairman and chief executive, the terms of reference of the committees and other policy statements are reviewed annually as part of the evaluation process. The board considered that an internally run exercise was most appropriate in the current year but agreed to keep under review whether an externally facilitated evaluation may be appropriate. Each of the standing committees reviews annually its terms of reference and its effectiveness and recommends to the board any changes required as a result of such review.

The process confirmed that the board and its committees were operating effectively. The timetable of future meetings and agenda items has been updated to reflect the feedback received during the evaluation process. Individual performance was also appraised, based on one-to-one interviews with the chairman and in the case of the chairman, with the senior independent director following consultation with each of the other directors. The expected time commitments and independence criteria were reviewed for each non-executive director.

Independent professional advice

A procedure is in place for directors to take independent professional advice at the Company's expense if necessary. No such advice was sought by any director during the year. In addition, the directors have direct access to the advice and services of the company secretary, who is responsible for ensuring that board procedures are followed and advises the board, through the chairman, on all governance matters.

Attendance at meetings

The attendance of directors at board and committee meetings during the year ended 31st December 2011 was as follows:

Table 1	**Board**	**Audit and risk committee**	**Remuneration committee**	**Nomination committee**
J Coleman	8	3	3	2
W B McGrath	8	–	–	–
S M Smith	8	–	–	–
J D Carling	8	3	3	2
P B Dermody	8	3	3	2
P E Jackson	8	3	3	2
Total number of meetings	**8**	**3**	**3**	**2**

Board committees

There are a number of standing committees appointed by the board to which various matters are delegated. Each has formal terms of reference which have been approved by the board and comply with the Code. The terms of reference are available for inspection on the Company's website (www.agarangemaster.com). Each committee has the authority to investigate any matters within its terms of reference, to access resources, to call for information and to obtain external professional advice at the cost of the Company. Details of the committees and their activities are set out below.

Nomination committee

The nomination committee is appointed by the board and membership comprises John Coleman (chairman), Jon Carling, Paul Dermody and Paul Jackson. The nomination committee ensures there is a formal, rigorous and transparent procedure for the appointment of new directors, which are made on merit and against objective criteria, having due regard for the benefits of diversity. The principal duties of the nomination committee are to:

- keep under review the structure, size and composition of the board and its committees and to recommend changes deemed necessary;
- identify, evaluate and nominate candidates to fill executive and non-executive vacancies taking into account the balance of skills, knowledge and experience on the board; and
- make recommendations to the board regarding the continuation in office of a director upon the expiry of any specified terms of appointment.

The nomination committee, in conjunction with the board, receives updates from the chief executive, the Group HR director and other advisers, as appropriate, on succession and development planning for senior positions within the Group.

The nomination committee met twice during the year and reviewed the size, structure and composition of the board and the membership of the committees. At present the nomination committee does not believe that any further appointments are necessary, but will keep this under review. The nomination committee considered the performance evaluation process and reviewed the contributions and ongoing commitment of each director. A decision was taken that all directors will stand for re-election at 2012 AGM and following review the nomination committee recommended that each director be proposed by the board for reappointment. The nomination committee considered the renewal of the term of office of Paul Jackson, who completed six years of service in December 2011. Following a rigorous review and taking into account the balance of skills, knowledge and experience on the board, the nomination committee recommended the renewal of Paul Jackson's letter of appointment for a further three years. No director participates in discussions regarding his own re-appointment or renewal of his term of office.

Remuneration committee

Details of the remuneration committee, its membership and activities are included in the remuneration report on pages 30 to 36 and are incorporated by reference into this report.

Audit and risk committee

The audit and risk committee (is appointed by the board and membership comprises Paul Dermody (chairman), Jon Carling, John Coleman and Paul Jackson. The board has determined that Paul Dermody has recent and relevant financial experience. The board believes that it is appropriate for John Coleman, the board's chairman, to serve as a member of the committee so long as he does not chair the committee in accordance with provision C.3.1 of the Code.

The principal duties of the audit and risk committee are to:

- monitor the integrity of the Company's interim and annual financial statements focusing on key judgemental areas and accounting policies;
- review the effectiveness of the internal controls and risk management system;
- review the Company's systems for detecting fraud, preventing bribery and allowing employees to raise concerns in a safe and confidential manner;
- review the effectiveness of the internal audit function; and
- oversee the relationship with the external auditor making recommendations to the board regarding their appointment and re-appointment; specifically reviewing and approving their remuneration, terms of engagement and their objectivity and independence on an annual basis.

External auditor

Ernst & Young LLP were appointed on the recommendation of the audit and risk committee following a formal tender process in 2006 and the potential for re-tendering of the external audit services is kept under review. The audit partner rotated in 2011 in line with Auditing Practices Board guidelines. The audit and risk committee is responsible for ensuring that an appropriate relationship is maintained between the Group and its auditor and assesses its performance, cost-effectiveness, objectivity and independence. It agrees the scope of the audit work and discusses the results of the full year audit and interim review each year.

The Group has a policy of controlling the provision of non-audit services by the external auditor in order to maintain and ensure that their objectivity and independence are not compromised. The audit and risk committee exercises control by ensuring non-audit projects, where fees are expected to be in excess of a specified amount, are subject to the prior approval of the chairman of the audit and risk committee. Below that amount, the finance director has authority to approve such work once he is satisfied that the auditor is the most appropriate provider. In each case, consideration is given to the need for value for money, experience and objectivity required in the particular circumstances. A breakdown of the audit and non-audit fees is set out in note 4 to the accounts.

The external auditor conducts an annual review of its independence identifying all services provided to the Group and assessing whether the content and scale of such work is a threat to its independence. Following this year's review the auditor concluded that there are no factors which would impair their objectivity and independence. In assessing the work of the external auditor, the audit and risk committee found itself satisfied with the scope of the auditor's work, its effectiveness and fee proposal and recommended the re-appointment of the auditor to the board.

Internal audit

The Group has an internal audit function which is fully independent of operations and has a Group-wide mandate. Its work is driven by a risk-based methodology ensuring that the controls to mitigate the Group's key risks are audited on a regular basis. Its plans are approved by the audit and risk committee, which also receives regular reports on its findings and progress of related actions. Internal audit also work with the businesses to promote and further develop internal controls and effective risk management within their operations.

Audit and risk committee activities

The audit and risk committee met three times during the year and has an agenda linked to the events in the Group's financial calendar. On each occasion the chief executive, finance director, the head of internal audit and the Company's external auditor attended the meetings by invitation. Other senior executives of the Company are invited to attend, as appropriate. The external auditor met with the audit and risk committee without management being present and the chairman and members of the committee have direct contact with the audit partner and head of internal audit, as required.

The audit and risk committee discharged its responsibilities by reviewing:

- the Group's annual financial statements and interim results statement prior to board approval and the external auditor's detailed reports thereon;
- the audit and non-audit fees payable to the external auditor;
- the external auditor's effectiveness and plan for the audit of the Group's 2011 accounts, which included confirmation of auditor independence, approving the proposed fee and the terms of engagement for the audit;
- the annual report on the Group's system of internal control and their effectiveness, reporting to the board on the results of the review and receiving regular updates on key risk areas of financial control;
- the processes for monitoring and evaluating risks facing the Group; and
- the internal audit function's terms of reference, its work programme and regular reports on the key issues arising from its work during the year.

The audit and risk committee also received regular updates from the Group's taxation and treasury personnel; on financial and technical updates; and in relation to the Group's policies, including the whistleblowing policy under which employees may raise concerns in confidence about possible improprieties in such matters as financial reporting.

Financial reporting

The board is required to present a balanced and understandable assessment of the Company's position and prospects in the annual report, in interim and other price sensitive reports. The board is satisfied that it has met this obligation. A summary of the directors' responsibilities for the financial statements is set out on page 24. The Group going concern statement is set out on page 23.

Internal control

The board has overall accountability for running the business effectively, which includes making sure risks are managed and that there is a sound system of internal control and risk management processes, including health and safety procedures and risk controls that are designed to reduce the chance of a failure to meet our objectives.

The board is responsible for the overall system of internal control for the Group and for reviewing its effectiveness. It carries out such a review at least annually covering all material controls including financial, operational and compliance and risk management systems.

Operating policies and controls are in place to cover a wide range of issues including financial reporting, capital expenditure, information technology, business continuity and management of employees. Detailed policies ensure the accuracy and reliability of the Group's financial reporting process and the Group's process for preparing the consolidated accounts and financial statements.

The key elements of the Group's processes for the provision of effective internal control and risk management systems include:

- regular board meetings to consider a schedule of matters reserved for directors' consideration;
- an annual review of corporate strategy carried out by the board, which includes a review of risks and uncertainties facing the business, and how these risks and uncertainties are monitored and managed on an ongoing basis within the organisation. This process is regularly reviewed by the board;
- an established organisational structure with clearly defined lines of responsibility and delegation of authority;
- an internal audit function which implements the annual internal audit plan as agreed by the audit and risk committee;
- documented and enforced policies and procedures used by all finance teams across the Group;
- appointment of staff of the necessary calibre to fulfil their allotted responsibilities;
- comprehensive budgets and forecasts, approved by the board, reviewed and revised on a regular basis, with

performance monitored against them and explanations obtained for material variances;

- a detailed investment approval process, requiring board approval for major capital expenditure projects, acquisitions and disposals of assets. Post-investment appraisals are conducted from time to time;
- the audit and risk committee of the board, comprising non-executive directors, considers significant financial control matters as appropriate.

Management, with the assistance of the finance function, is responsible for ensuring the appropriate maintenance of financial records and processes that ensure all financial information is relevant, reliable, in accordance with the applicable laws and regulations, and distributed both internally and externally in a timely manner. A review of the consolidation and financial statements is completed by management to ensure that the financial position and results of the Group are appropriately recorded in accordance with the applicable accounting standards, and these are circulated to members of the board and published, where appropriate. All financial information published by the Group is subject to the approval of the board, on the recommendation of the audit and risk committee.

No change in the Company's internal control over financial reporting has occurred during the year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company has in place a whistleblowing policy under which employees may raise concerns in confidence about possible improprieties in such matters as financial reporting.

Risk management

There is in place an ongoing process of internal controls which has been established for identifying, evaluating and managing the significant risks faced by the Group. This process requires all operations to record formally in a risk register the material risks they face and ensure effective controls and procedures are in place to manage and, where appropriate, mitigate risks through the balance of risk versus reward. The risk framework governs the management and control of both financial and non-financial risks. These are reviewed by management and by internal audit. The adoption of this policy throughout the Group enables a consistent approach to the management of risk at both Group and operational level. The internal audit function meets regularly with operational management to monitor and ensure consistent deployment of internal control and risk management systems in compliance with the Group's policies.

The process is reviewed regularly by the board and, with advice from the audit and risk committee, it is satisfied that this meets the requirements of the Turnbull Guidance. The risk management process and system of internal control are designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives. The Company's system of internal control is designed to meet the Company's particular needs and the risks to which it is exposed and by their nature, can only provide reasonable, but not absolute assurance against material misstatement or loss. In that context, the review, in the opinion of the board, did not indicate that the system was ineffective or unsatisfactory and the board is not aware of any change to this status. The process has been in place since the start of the financial year and up to the date of approval of the annual accounts. Further details of the material risks and uncertainties facing the business can be found at pages 14 and 15 of the business and finance review.

Shareholder relations

The board recognises that it is accountable to shareholders for the performance and activities of the Company. The Company formally updates the market on its financial performance and developments in the business at least five times a year. In 2011 it provided updates at the half-year and full-year results in March and August respectively, the interim management statements in May and November and pre-close trading updates in January and July. The content of these updates and associated presentations made to analysts and investors are posted on the Company's website, together with general information about the Company, so as to be available to all shareholders. The Company has a regular programme of meetings with its larger shareholders which provides an opportunity to discuss strategy, performance, management and governance, within the constraints of information already made publicly available. The chairman, chief executive and finance director regularly report to the board the views of larger shareholders about the Company. The senior independent director and non-executive directors are available to meet with shareholders on request.

The AGM is attended by all members of the board and provides an opportunity to communicate with all its shareholders. Recent trading performance and developments in the business are explained prior to the formal business of the meeting. Shareholders are invited to ask questions during the meeting, which is followed by an opportunity to meet with the directors, senior managers and the Company's advisers on an informal basis. The Company issues a market announcement setting out the results of voting, including proxy votes on each resolution and it is made available on the Company's website following the meeting.

By order of the board,

P M Sissons
Company Secretary
9th March 2012

Remuneration Report

This report has been prepared by the remuneration committee ('the committee') and has been approved by the board. The report has been prepared in accordance with the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts & Reports) Regulations 2008. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the committee has applied the principles of good governance relating to directors' remuneration set out in The UK Corporate Governance Code ('the Code').

In accordance with the Companies Act 2006, a resolution will be proposed at the AGM which invites members to approve the remuneration report for the financial year ended 31st December 2011.

Remuneration committee

During the year, the committee consisted wholly of independent non-executive directors, Paul Jackson (chairman), Jon Carling, John Coleman and Paul Dermody. The board believes that it is appropriate for John Coleman, the board's chairman, to serve as a member of the committee so long as he does not chair the committee in accordance with provision D.2.1 of the Code. No committee member has any personal financial interest (other than as a shareholder) or other conflicts of interest in relation to matters to be decided by the committee.

At the invitation of the committee, the chief executive attends some meetings but does not participate in discussions when his own remuneration is under consideration.

Role of the committee

The committee's terms of reference, which are available on the Company's website (www.agarangemaster.com), set out the responsibilities of the committee which include:

- determining and agreeing with the board the broad policy for the remuneration of the chairman, executive directors and certain other senior executives;
- determining the fixed and variable components of the executive directors' and senior management's remuneration, their contractual terms and compensation arrangements;
- approving the design of, and determining targets for, any performance related pay schemes operated by the Company and approving the total annual payments made under such schemes;
- determining the policy for and scope of, pension arrangements for executive directors and senior management;
- overseeing any major changes in employee benefit structures throughout the Group.

The remuneration of the non-executive directors is decided by the board, within the limits set in the articles, supported by externally benchmarked data and the independent remuneration advisers to the committee.

Advisers

The committee appointed KPMG LLP ('KPMG') in 2007 as its independent remuneration adviser. KPMG assisted the committee to establish a framework on remuneration within which it continued to operate during 2011. KPMG has independently provided the Company with some advice on VAT and taxation during the year. Alithos Limited provided performance monitoring services in relation to the Long-Term Incentive Plan ('LTIP'). Alithos Limited has no other relationship with the Group.

Following a formal review, the committee appointed MM&K Limited ('MM&K') as its external independent adviser in October 2011. The advice taken will be used by the committee to determine remuneration policy and the specific elements of the packages for the executive directors and other senior managers in 2012 and beyond. MM&K do not provide any other services to the Group.

Remuneration policy

The Group's remuneration policy is designed to ensure that the remuneration of executive directors and senior management is sufficiently competitive to retain and motivate the existing directors and to attract high calibre candidates to ensure the continued success and development of the business.

The current policy is based around the following principles:

- that total compensation should be set at levels that are competitive in comparison to companies of a similar profile, complexity, size by turnover and geographical spread from within and outside the industry sector;
- to position base salaries around the median level in the relevant pay peer group and to supplement base salaries by variable performance related rewards and incentives which can raise the total value of the remuneration package into the upper quartile if demanding performance targets, which are aligned to shareholder interests, are met;
- to align management incentives with the creation of shareholder value over both the short and longer term.

Activities of the committee

The committee met three times during the year and details of attendance at committee meetings can be found in table 1 on page 26. During the year the committee met for the following reasons:

- to review market competitiveness of remuneration policy and arrangements for the executive directors and other senior executives taking into account market trends and publicly available benchmarked data;
- to review the salary levels for the executive directors and other senior executives;
- to agree the annual incentive payable for the year ended 2010;
- to review and approve awards under the Company Share Option Plan and agree the performance conditions;
- to review performance in relation to the awards granted under the LTIP and the vesting status at the end of the performance period; and
- to consider whether to take further external independent remuneration advice and in turn to appoint advisers.

The board accepted all of the recommendations made by the committee during the year. The chairman of the committee is available to discuss remuneration arrangements with shareholder representatives as required.

In 2012, the committee agreed the framework for remuneration for 2012 and beyond, taking into account current investor guidelines on executive remuneration and the advice received from MM&K. The committee also approved the annual incentive payment for the year ended 31st December 2011.

Summary of remuneration

The remuneration policy has been designed to provide market competitive remuneration relative to appropriate peer groups for base salary and incentive opportunity. The table below outlines the purpose for and performance measures attaching to each element of the package and how this supports the strategy. It also provides forward looking information for 2012.

Element	Purpose	Opportunity/Delivery 2011	Performance measure	Changes for 2012
Base Salary	Provides a sound basis on which to attract and retain executives. To reflect market values of the role and individual performance.	CEO £507k FD £291k	Benchmarked against companies of similar size, complexity. Reviewed annually from 1st January.	No increase from 1st January 2012.
Annual incentive	Drives performance against annual financial, strategic and operational goals and delivers rewards which are consistent with the short to medium term strategic needs of the business.	75% of salary. Subject to performance conditions, delivery at present in cash.	25% based on operating profit targets; 25% on cash targets and 25% on strategic objectives. In 2011, the strategic operational measures included stretch targets on cooker sales; international growth and the improvement in retail performance.	No change to the maximum award for 2012. Performance conditions revised so that 75% of the maximum potential linked to the achievement of short-term strategic goals and 25% of the maximum potential linked to the achievement of short-term personal objectives.
Deferral of annual incentive into shares	To align performance with shareholder value creation linked to the sustained improvement in longer-term performance of the Company.	No explicit requirement.	Not applicable.	Deferral is being introduced from 2012 and executive directors will reinvest 50% of net incentive into shares. Minimum retention period of three years (subject to specific terms and conditions).
Company share option plan	To reward growth in shareholder value over a three year period and linked to the sustained improvement in longer-term performance of the Company.	Maximum grant up to 100% of salary. Equivalent of £30,000 approved options granted to executive directors during the year.	Absolute EPS growth target to be achieved by financial year ending 31st December 2013. Sliding scale ranging from basic EPS of 13.0 pence per share for minimum vesting up to 20.0 pence per share for maximum vesting. The committee reserves the right to exclude items of a non-recurring nature from the EPS calculation.	No change to maximum level of grant. Consideration to be given to grants of unapproved nil-cost options to executive directors and key senior executives. Performance conditions to be reviewed and amended as appropriate.

Base salary

Salaries for the executive directors are reviewed annually and are targeted broadly at the median position in the relevant pay peer group with independent research, which gives up to date information on a comparator group of companies, taken into account. The committee takes into consideration the size, complexity and responsibilities of the individual's role and experience and the balance between fixed and variable rewards and the total compensation achievable.

In setting the remuneration of the directors and key senior management, the committee takes into account the economic environment and the financial performance of the Group, along with pay and employment terms and conditions of employees elsewhere in the Group.

Base salaries were reviewed by the committee in January 2011 and it was agreed that a 2% increase would be awarded effective from 1st January 2011.

Following a benchmarking exercise by MM&K and given the fall in the market capitalisation of the Group, the recommendation was that no increase be made to base salaries in 2012.

Other benefits

The executive directors receive benefits in kind, which comprise a car or car benefit; fuel or equivalent cash allowance; private medical insurance and life assurance.

Annual incentive

The committee establishes the objectives that must be met each financial year if an annual incentive award is to be made. In setting appropriate incentive parameters for 2011, the committee considered market data on a comparator group of companies. The committee maintained the maximum annual incentive potential at 75% of base salary, as it had been in the prior year. The key performance indicators were aligned with the Group's stated strategic objectives. The performance targets set measured the improvement in profit, the delivery of cash targets and other short term business objectives. A maximum of 25% of base salary was attached to each of the three elements, with a sliding scale operating to ensure the maximum award was only payable for the delivery of exceptional performance above budgeted profit and cash targets. Specific targets were set for each of the other short term business objectives. At present, where an annual incentive award is made it is paid in cash.

For 2011, an incentive of 10% was earned by each of the executive directors for performance achieved against the objectives set. The executive directors have reinvested all of their net bonus, after taxes, into shares in the Company.

Following advice taken from MM&K, the committee intends to maintain the same maximum annual incentive opportunity (75% of base salary) for the executive directors for 2012. The performance conditions were revised so that 75% of the maximum potential is linked to the achievement of short-term strategic goals and 25% of the maximum potential linked to the achievement of short-term personal objectives. The short-term strategic goals, where appropriate, will incorporate a sliding scale from threshold to target to exceptional performance levels, with half the maximum potential payable for achievement of on target performance.

From 2012, the executive directors will be required to invest 50% of the net incentive paid in shares and retain these for a minimum of at least three years (subject to specific terms and conditions). Annual reinvestment conditions will be introduced for the key senior executives. Deferral into shares encourages greater equity ownership. This will introduce an element which takes into account the risks facing the business and will further align executive management's interests with those of shareholders and the sustained longer-term performance of the Company.

Share option schemes

All equity based awards granted under the Company's share plans are subject to qualifying services. Commitments to issue new shares or reissue treasury shares, when aggregated with awards under all the Company's other share schemes, may not exceed 10% of the issued share capital in any ten year period, limited to 5% of the issued share capital in any rolling ten year period in respect of discretionary schemes, and this limit may only be exceeded if vesting is dependent on significantly more stretching performance conditions.

Company Share Option Plan ('CSOP')

The CSOP was approved by shareholders in 2010 and enables the committee to make grants of approved and unapproved share options to employees (subject to headroom limitations). Approved options are granted at the prevailing market price at the date of grant and unapproved options may be granted at nil cost, market value or at any other exercise price. This will enable participants to benefit, subject to performance conditions, from an improvement in the Company's share price. The committee is responsible for supervising the plan and the grant of options under its terms. The committee will review the appropriateness of performance criteria and where necessary make changes to ensure the performance condition remains relevant and stretching for any new grants made. A sliding scale operates in steps from minimum to maximum vesting. Upon vesting, the option may be exercised for the rest of its ten year life without further test.

The Company's policy is to grant options of up to 100% of base salary (subject to available headroom) to the executive directors and other senior executives at the discretion of the committee taking into account individual performance. It is the Company's policy to phase the granting of share options rather than award them in a single large block to any individual.

In 2011, the committee approved a grant of approved options to the executive directors and senior managers within the limits set by HMRC. In view of the economic environment and trading conditions, the committee reviewed the performance conditions and for this award, approved an absolute earnings per share scale to be achieved at the end of the three year performance period. The committee reserves the right to exclude items of a non-recurring nature from the EPS calculation. Details of outstanding awards can be found in note 22 to the accounts.

Following advice taken from MM&K in 2012, the committee will consider granting nil-cost unapproved options to the executive directors and key senior executives with a view to encouraging greater equity ownership and to address the balance between the fixed and variable elements of the remuneration package. The performance conditions will be reviewed prior to approving any further awards of options to ensure appropriate emphasis is placed on sustained longer-term performance.

Sharesave Plan

The Group also operates an HMRC approved Sharesave Plan which is open to eligible employees who have completed a minimum period of service at the time of invitation. The committee considers whether to offer invitations annually. Savings contracts are of three or five year terms and subject to a maximum monthly savings limit of £250 per employee. The committee has the discretion to grant options at a discount of up to 20% of the market value at the date of grant. The 2008 options were granted at market value. Their exercise is not subject to performance conditions.

Long-Term Incentive Plan ('LTIP')

The LTIP expired in May 2009 and the only remaining outstanding options as at 1st January 2011 were from the 2003 and 2008 grants. The committee deals with the residual administration of the plan. The options granted only become exercisable if the performance conditions, linked to total shareholder return ('TSR') and the earnings per share ('EPS') performance of the Company, are met. To the extent that performance conditions are not met at the end of the three year period, the options lapse. Options which have vested may be exercised during the remainder of a ten year period from the date of the grant of the option. The committee regularly received reports on actual Company performance against the relevant conditions from Alithos Limited. The LTIP options granted in 2008 were tested during the year at the end of the three year performance period and were lapsed as the performance conditions had not been met. The committee does not plan to introduce another LTIP at present and therefore it does not have any authority to grant any further options under an LTIP.

Directors' interests

The beneficial interests of the directors and their immediate families in the ordinary share capital of the Company at the year ended 31st December 2011 are set out below and there were no changes up to the date of the approval of this report. Shares purchased on 9th March 2012 are also included below:

	At 9th March 2012	At 31st December 2011	At 31st December 2010
W B McGrath	183,826	155,781	117,632
S M Smith	139,481	123,391	101,147
J D Carling	5,000	–	–
J Coleman	5,000	5,000	5,000
P B Dermody	25,591	25,591	25,591
P E Jackson	2,032	2,032	2,032

The executive directors are expected to build a significant holding in the Company. The directors shareholdings primarily result from market purchases. The executive directors have retained 100% of options exercised over the last five years and neither of the executive directors has sold any shares during the last five years. From 2012, executive directors will be required to invest 50% of their net annual incentive earned in shares.

Pension arrangements

The committee takes into account pension arrangements and associated costs in reviewing remuneration policy. Pensions and retirement benefits provided to executive directors are currently considered by the committee to be appropriate but are kept under review in light of changing circumstances.

The executive directors are members of the Group's UK pension scheme on a defined benefit basis of pension provision. Their dependants are eligible for dependants' pensions and the payment of a lump sum in the event of death in service. On their retirement from service at their normal retirement age of 60, the arrangements provide for a pension of two-thirds of final pensionable salary. William McGrath's pension accrues annually at a rate of around one thirty-first of pensionable remuneration, while Shaun Smith's pension effectively accrues annually at a rate of around one forty-fifth of pensionable remuneration (compared with the predominant accrual rate of one sixtieth of pensionable salary under the current scheme).

William McGrath and Shaun Smith each commenced pensionable service with the Group at a time when higher earners' pensionable remuneration was subject to the statutory earnings cap. Therefore only part of their remuneration is pensionable; the equivalent of the statutory cap projected forward to 2009 was £123,600, and as a consequence of an amendment made to the pension scheme at the end of 2009 for higher earners, their pensionable remuneration has now been frozen at this level. No other payments are pensionable and there are no unfunded pension promises or similar arrangements for directors. William McGrath and Shaun Smith receive additional salary in lieu of pension on remuneration above the statutory cap as detailed in table 2 on page 35.

The transfer values corresponding to the directors' accrued pensions at 31st December 2011 after deduction of contributions paid by them, are shown in table 3 on page 36. Executive directors receive life assurance cover equal to four times their base salary.

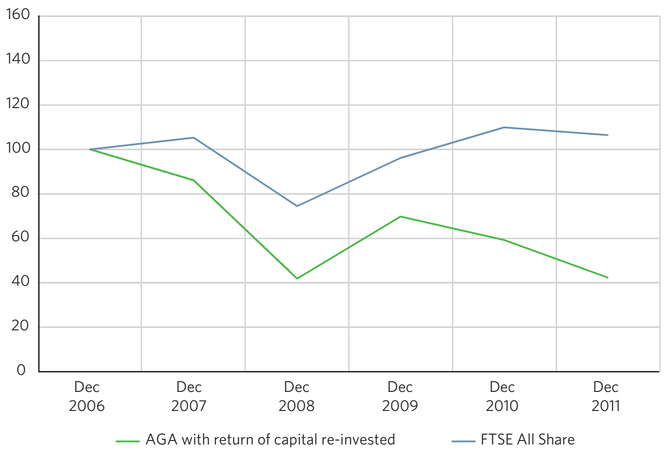
In 1998, the Company closed the pre-existing Group UK pension scheme operated for executive directors and other senior employees, and thereafter such employees join the current Group UK pension scheme on the same basis as applies to all other new employees from time to time. Subsequently, the Company closed the current Group UK pension scheme to new members on a defined benefit basis of pension provision in 2001 and froze the pensionable salaries of current active defined benefit members of the scheme at the end of 2009 for higher earners and in January 2010 for all other active defined benefit members. From 2002, new members of the scheme join on a defined contribution basis of pension provision.

Performance graph

The committee considers the FTSE All Share Index is a relevant index for total shareholder return and comparison disclosure as it represents a broad equity market index in which the Company is a constituent member.

When calculating TSR, all cash payments made to the Company's shareholders, including special payments in addition to ordinary dividends, are treated as immediately reinvested in further ordinary shares in the Company at the prevailing market price on the date of receipt by shareholders. Therefore the Company's TSR performance as reflected in the graph below reflects the substantial special payment to shareholders by the Company in May 2008 of 121 pence per share.

AGA Rangemaster Group plc vs. the FTSE All Share Total Shareholder Return Index for the five financial years ending 31st December 2011.



Directors' contracts

Chairman and non-executive directors

The chairman and the non-executive directors have letters of appointment for a three year term, subject to election and re-election by the Company's shareholders in accordance with the Articles and the Code. The table below shows the dates of appointment and the most recent re-election dates for the chairman and the non-executive directors.

Name of director	Date of appointment	Date of last re-election at an AGM
J D Carling	October 2010	2011
J Coleman	March 2008	2011
P B Dermody	April 2004	2009
P E Jackson	December 2005	2009

Copies of the letters of appointment and deeds of indemnity will be available for inspection prior to and during the AGM and are also available for inspection at the Company's registered office during normal business hours.

The remuneration of the chairman of the board is determined by the committee. The chairman of the board does not participate in any discussion relating to his own remuneration. The remuneration of the other non-executive directors is determined by the board on the recommendation of the executive directors within the limits set out in the Articles and on the basis of independent advice or publicly available benchmarked data which takes into consideration the level of fees paid to non-executive directors of comparator companies. The Group's policy in respect of non-executive directors is to pay annual fees which reflect the time commitment, responsibilities and duties placed upon them, whilst also having regard to market practice.

The chairman and non-executive directors are not eligible to participate in the Company's share option schemes, annual incentive scheme, receive any payment on termination and are not eligible to join the Company's pension scheme. They are allowed to claim reasonable out of pocket expenses in connection with the performance of their duties.

The fees were last amended in 2008. The fees were further reviewed in February 2012 and it was determined that they should not be changed. The current fee structure is shown in the following table:

Role	Last reviewed	Fee
Chairman	February 2012	£125,000
Non-executive director	February 2012	£35,000
Committee chairman	February 2012	£5,000

No additional fees are paid for attendance or being a member of a board committee, but a fee of £5,000 is paid for chairing the audit and risk committee and the remuneration committee.

Executive directors

The service agreements of the executive directors are summarised in the table below:

Executive	Notice period	Date of contract	Unexpired term of contract
W B McGrath	12 months	September 1998	Rolling contract
S M Smith	12 months	March 2001	Rolling contract

It is the Company's policy that executive directors should have contracts with an indefinite term providing for a maximum of one year's notice in line with best practice provisions set out in the Code. In the event of early termination, the directors' contracts provide for compensation of up to a maximum of one year's base salary for the notice period. The committee does not consider it to be in the best interests of shareholders for directors' contracts to provide explicitly for pre-determined compensation in the event of early termination. However, the principle of mitigation would be applied to reduce any compensation payable to departing directors, with each case being taken on its own merits.

External appointments

The board recognises the benefit which the Group can obtain if the executive directors serve as non-executive directors of other companies. Subject to review in each case, the board's general policy is that each executive director may accept one non-executive directorship with another company from which any fees received may be retained. At present neither of the executive directors hold any outside directorships. Shaun Smith has a voluntary role as a Governor of Birmingham City University.

Audited information

Directors' emoluments

The remuneration of each director, excluding share options and pensions during the year ended 31st December 2011 is set out in table 2 below. There were no taxable expenses in 2010 or 2011 for any of the directors.

Pension arrangements

The executive directors are members of the Group's UK pension scheme on a defined benefit basis of pension provision. Table 3 on page 36 shows the directors' accrued pensions under the scheme and the corresponding transfer values calculated in a manner consistent with regulations 7 to 7E of the Occupational Pensions Scheme (Transfer Values) Regulations 1996.

Directors' share options

The interests of directors in options held under the LTIP, the CSOP and the Sharesave Plan at the beginning and end of the financial year are shown in table 4 on page 36.

On behalf of the board,

P E Jackson

Chairman of the remuneration committee
9th March 2012

Table 2

	Salary/ fees £000	Salary in lieu of pension above earnings cap £000	Benefits in kind and cash benefits £000	Annual incentive £000	2011 Total £000	2010 Total £000
W B McGrath	507	84	29	51	671	770
S M Smith	291	37	24	29	381	440
J D Carling (appointed October 2010)	35	–	–	–	35	6
J Coleman	125	–	–	–	125	125
P B Dermody	40	–	–	–	40	40
P E Jackson	40	–	–	–	40	36
P W G Tom (resigned October 2010)	–	–	–	–	–	33
Total	**1,038**	**121**	**53**	**80**	**1,292**	1,450

Table 3

	Accrued pension at 31st Dec 2011 £000 pa	Increase in accrued pension over the year £000 pa	Transfer value of accrued pension at 31st Dec 2010 £000	Transfer value of accrued pension at 31st Dec 2011 £000	Increase in transfer value over the year, net of director's contributions (note 1) £000	Increase in accrued pension over the year (net of inflation) (note 2) £000 pa	Transfer value of increase in accrued pension over the year, net of director's contributions (note 3) £000
W B McGrath	56	4	723	843	116	2	28
S M Smith	58	3	694	769	71	1	5

The transfer values calculated have been verified by a consulting actuary.

note 1 The increase in transfer values over the year (net of director's contributions) reflects the comparison of the transfer value of the accrued pensions at the start and end of the period. Transfer values are not cash payments due to the individual concerned but are the present actuarial value of the directors' pension benefits payable in the future. They are therefore discounted amounts which take into account market conditions and may change materially from year to year, even though no additional benefits were promised during the year.

note 2 In assessing the increase in the accrued pension over the year, the accrued pension at the start of the year has been adjusted in line with inflation over 2011. In light of the Government's decision to switch from the Retail Price Index (RPI) to the Consumer Prices Index (CPI) for pension revaluation, and having regard to the impact of this on the Scheme, the calculations reflect the CPI linked revaluation order which applied over 2011, of 3.1% which is the change in CPI between September 2009 and September 2010 (which is the year used statutorily for deriving the rate of revaluation to be applied to deferred pensions during 2011).

note 3 The transfer value of the increase in accrued pensions over the year (net of director's contributions) reflects the transfer value of the increase in the accrued pensions over the year only.

Table 4

	Company Share Option Plan approved in 2010	Sharesave Plan approved in 2008	Long-Term Incentive Plan approved in 1999	
W B McGrath				
At 1st January 2011	–	8,014	28,149	85,391
Exercised 11th March 2011	–	–	(28,149)	–
Granted 18th April 2011	24,390	–	–	–
Lapsed 12th May 2011	–	–	–	(85,391)
At 31st December 2011	**24,390**	**8,014**	**–**	**–**
S M Smith				
At 1st January 2011	–	8,014	–	49,051
Granted 18th April 2011	24,390	–	–	–
Lapsed 12th May 2011	–	–	–	(49,051)
At 31st December 2011	**24,390**	**8,014**	**–**	**–**
Option grant date	18 Apr 2011	26 Sep 08	13 Oct 03	12 May 08
Exercisable period	18 Apr 14 to 18 Apr 21	01 Dec 13 to 31 May 14	13 Oct 06 to 12 Oct 13	12 May 11 to 11 May 18

The exercise price per share in respect of options granted under the Sharesave Plan in 2008 is 209 pence per share.

Options granted under the Company Share Option Plan in 2011 were approved options at a market value of 123 pence per share. Qualifying performance conditions for the Company Share Option Plan are shown in note 22 to the accounts.

Gains on the exercise of options are calculated on the date of exercise. William McGrath exercised options at a quarter up price of 130.5 pence at the time of exercise and retained the shares making a gain on exercise of £36,734. No other options were exercised by the directors during the year and therefore, the total gain made by directors on exercise of options during 2011 was £36,734 (2010: nil).

The mid-market price of ordinary shares on 30th December 2011 was 71.0 pence and the highest and lowest mid-market prices during the financial year were 138.0 pence and 62.5 pence respectively.

Consolidated Income Statement

for the year ended 31st December

	Notes	2011 £m	Restated* 2010 £m
Continuing operations			
Revenue	3	250.9	259.1
Net operating costs	4	(244.8)	(254.0)
Group operating profit	4	6.1	5.1
Net pension credit	6	3.1	16.4
Non-recurring costs	4	(2.1)	(1.4)
Profit before finance income / (costs) and tax		7.1	20.1
Finance income	7	1.0	0.2
Finance costs	7	(0.6)	(0.4)
Profit before tax		7.5	19.9
Tax credit / (expense)	8	5.4	(5.8)
Profit for the year from continuing operations		12.9	14.1
Discontinued operations			
Profit for the year from discontinued operations	9	2.7	–
Profit for the year		15.6	14.1
Profit attributable to:			
Equity holders of the parent		15.7	14.2
Non-controlling interests		(0.1)	(0.1)
Profit for the year		15.6	14.1
Earnings per share attributable to equity holders of the parent – continuing operations	11	p	p
Basic		18.8	20.5
Diluted		18.8	20.5
Earnings per share attributable to equity holders of the parent – total operations	11	p	p
Basic		22.7	20.5
Diluted		22.7	20.5

* Restated for deferred tax - see note 21.

Notes to the accounts are on pages 42 to 71.

Consolidated Statement of Comprehensive Income

for the year ended 31st December

	Notes	2011 £m	Restated* 2010 £m
Profit for the year		15.6	14.1
Exchange differences on translation of foreign operations		(0.8)	(1.1)
Actuarial (losses) / gains on defined benefit pension schemes	6	(10.5)	26.6
Deferred tax on defined benefit pension schemes	21	2.3	(7.2)
Other comprehensive (losses) / income for the year		(9.0)	18.3
Total comprehensive income for the year		6.6	32.4
Attributable to:			
Equity holders of the parent		6.8	32.5
Non-controlling interests		(0.2)	(0.1)
Total comprehensive income for the year		6.6	32.4

* Restated for deferred tax - see note 21.

Notes to the accounts are on pages 42 to 71.

Consolidated Balance Sheet

as at 31st December

	Notes	2011 £m	Restated* 2010 £m	Restated* 2009 £m
Non-current assets				
Goodwill	12	**66.7**	66.7	66.9
Intangible assets	13	**23.9**	22.9	23.2
Property, plant and equipment	14	**40.8**	40.8	50.8
Retirement benefit surplus	6	**6.8**	8.6	-
Other receivables	16	**0.7**	0.8	0.9
Deferred tax assets	21	**4.1**	8.7	17.7
		143.0	148.5	159.5
Current assets				
Inventories	15	**45.5**	42.8	46.0
Trade and other receivables	16	**30.8**	29.8	30.8
Current tax assets		**1.0**	1.8	1.8
Cash and cash equivalents	18a	**48.1**	51.7	45.0
		125.4	126.1	123.6
Assets held for sale	14	**2.6**	10.2	3.1
Total assets		**271.0**	284.8	286.2
Current liabilities				
Borrowings	18b	**(1.4)**	(1.7)	(1.3)
Trade and other payables	17	**(65.4)**	(67.5)	(63.2)
Current tax liabilities		**(2.9)**	(20.4)	(18.4)
Provisions	20	**(10.2)**	(2.1)	(2.4)
		(79.9)	(91.7)	(85.3)
Net current assets		**45.5**	34.4	38.3
Non-current liabilities				
Borrowings	18b	**(15.4)**	(15.4)	(15.7)
Retirement benefit obligation	6	**(1.5)**	(1.5)	(40.5)
Deferred tax liabilities	21	**(5.0)**	(5.7)	(6.1)
Provisions	20	**(1.5)**	(8.2)	(8.3)
		(23.4)	(30.8)	(70.6)
Total liabilities		**(103.3)**	(122.5)	(155.9)
Net assets		**167.7**	162.3	130.3
Equity				
Share capital	22	**32.5**	32.5	32.5
Share premium account		**29.6**	29.6	29.6
Other reserves	24	**84.0**	84.7	85.8
Retained earnings		**21.4**	15.1	(18.1)
Equity attributable to equity holders of the parent		**167.5**	161.9	129.8
Non-controlling interests		**0.2**	0.4	0.5
Total equity		**167.7**	162.3	130.3

* Restated for deferred tax - see note 21.

The accounts on pages 37 to 71 were approved by the board of directors on 9th March 2012 and were signed on its behalf by:

W B McGrath Chief Executive **S M Smith** Finance Director

Notes to the accounts are on pages 42 to 71.

Financial Statements

Consolidated Cash Flow Statement

for the year ended 31st December

	Notes	2011 £m	2010 £m
Operating activities			
Profit / (loss) before tax:			
Continuing operations		7.5	19.9
Discontinued operations		(3.0)	–
Reconciliation of profit before tax to net cash flows:			
Net finance (income) / costs		(0.4)	0.2
Depreciation of property, plant and equipment	14	5.4	6.5
Impairment of assets held for sale	14	0.9	–
Amortisation of intangible assets	13	1.9	1.8
(Profit) / loss on disposal of property, plant and equipment, intangibles and assets held for sale		(0.6)	0.1
Share based payments expense		–	0.1
(Increase) / decrease in inventories		(2.8)	3.1
(Increase) / decrease in receivables		(0.8)	0.8
(Decrease) / increase in payables		(1.9)	4.8
Increase / (decrease) in provisions		2.6	(0.4)
Movement in pensions		(8.7)	(21.2)
Cash generated from operating activities		0.1	15.7
Cashflows related to discontinued operations	9	(1.2)	(0.4)
Finance income		0.7	0.2
Finance costs		(0.6)	(0.4)
Tax receipt / (payment)		0.6	(2.3)
Net cash flows (used in) / from operating activities		(0.4)	12.8
Investing activities			
Acquisition of business	23	(0.7)	–
Purchase of property, plant and equipment	14	(5.5)	(3.7)
Expenditure on intangibles	13	(2.9)	(2.0)
Proceeds from disposal of property, plant and equipment		–	0.1
Proceeds from disposal of assets held for sale		7.5	–
Net cash used in investing activities		(1.6)	(5.6)
Financing activities			
Dividends paid	10	(1.2)	(0.5)
Repayment of borrowings		(0.3)	(0.2)
New bank loans raised		–	0.3
Net cash used in financing activities		(1.5)	(0.4)
Effects of exchange rate changes		(0.1)	(0.1)
Net (decrease) / increase in cash and cash equivalents		(3.6)	6.7
Cash and cash equivalents at beginning of year		51.7	45.0
Cash and cash equivalents at end of year	18a	48.1	51.7

Notes to the accounts are on pages 42 to 71.

Consolidated Statement of Changes in Equity

	Equity attributable to equity holders of the parent						
	Share capital (note 22) £m	Share premium £m	Other reserves (note 24) £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 1st January 2010 - restated*	32.5	29.6	85.8	(18.1)	129.8	0.5	130.3
Comprehensive income							
Profit / (loss) for the year	–	–	–	14.2	14.2	(0.1)	14.1
Other comprehensive income / (losses):							
Exchange differences on translation of foreign operations	–	–	(1.1)	–	(1.1)	–	(1.1)
Actuarial gains on defined benefit pension schemes	–	–	–	26.6	26.6	–	26.6
Deferred tax on actuarial gains	–	–	–	(7.2)	(7.2)	–	(7.2)
Total comprehensive income / (losses) for the year to 31st December 2010	–	–	(1.1)	33.6	32.5	(0.1)	32.4
Dividends paid	–	–	–	(0.5)	(0.5)	–	(0.5)
Share based payments	–	–	–	0.1	0.1	–	0.1
At 1st January 2011	**32.5**	**29.6**	**84.7**	**15.1**	**161.9**	**0.4**	**162.3**
Comprehensive income							
Profit / (loss) for the year	–	–	–	15.7	15.7	(0.1)	**15.6**
Other comprehensive income / (losses):							
Exchange differences on translation of foreign operations	–	–	(0.7)	–	(0.7)	(0.1)	**(0.8)**
Actuarial losses on defined benefit pension schemes	–	–	–	(10.5)	(10.5)	–	**(10.5)**
Deferred tax on defined benefit pension schemes	–	–	–	2.3	2.3	–	**2.3**
Total comprehensive income / (losses) for the year to 31st December 2011	–	–	(0.7)	7.5	6.8	(0.2)	**6.6**
Dividends paid	–	–	–	(1.2)	(1.2)	–	**(1.2)**
At 31st December 2011	**32.5**	**29.6**	**84.0**	**21.4**	**167.5**	**0.2**	**167.7**

* Restated for deferred tax - see note 21.

The cumulative amount of goodwill taken direct to reserves since 1985 in respect of businesses that were members of the Group at 31st December 2011 is £6.3m (2010: £6.3m).

Notes to the accounts are on pages 42 to 71.

Notes to the Accounts

1. Corporate information

The consolidated financial statements of the Group for the year ended 31st December 2011 were authorised for issue in accordance with a resolution of the directors on 9th March 2012.

The Company is a public limited company incorporated and domiciled in the UK whose shares are publicly traded on the London Stock Exchange.

The principal activities of the Group are the manufacture and sale of range cookers, kitchen and related home fashions products.

2. Accounting policies

Basis of accounting

The Group financial statements presented in this document have been prepared on the basis of applicable International Financial Reporting Standards ('IFRS'), including International Accounting Standards ('IAS') and International Financial Reporting Interpretations Committee ('IFRIC') interpretations issued by the International Accounting Standards Board ('IASB') and its committees, and as interpreted by regulatory bodies applicable to the Group and adopted by the European Union. The financial statements have also been prepared in accordance with the Companies Act 2006 applicable to companies reporting under IFRS. Prior year comparatives have been restated for deferred tax - see note 21 for further information.

Critical accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates under different assumptions and conditions. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Impairment – the Group determines whether goodwill is impaired on an annual basis or more frequently if there are indicators of impairment. Other non-current assets, including property, plant and equipment, are tested for impairment if there are indicators of impairment. Impairment testing requires an estimate of future cash flows and the choice of a suitable discount rate.

Retirement benefits and other post-employment benefits – the costs of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

Tax – provisions for tax accruals require judgements on the interpretation of tax legislation, developments in tax case law and the potential outcomes of tax audits and appeals. In addition, deferred tax assets are recognised for unused tax attributes to the extent that it is probable that taxable profit will be available against which they can be utilised. Judgement is required as to the amount that can be recognised based on the likely amount and timing of future taxable profits, taking into account expected tax planning. Deferred tax balances are dependent on management's expectations regarding the manner and timing of recovery of the related assets.

Accounting changes in the year

The following standards, amendments and interpretations to existing standards have been adopted for the first time in the Group's annual report and the adoption of these did not have any material impact on the financial position or performance of the Group:

- IAS 24 – Related Party Transactions (amendment)

  This amendment clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity.

- IAS 32 – Financial Instruments: Presentation (amendment)

  This amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing

2. Accounting policies (continued)

owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- IFRIC 14 – Prepayments of a Minimum Funding Requirement (amendment)

  This amendment provides further guidance on assessing the recoverable amount of a net pension asset, permitting an entity to treat the prepayment of a minimum funding requirement ('MFR') as an asset.

  In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group:

- IFRS 3 – Business Combinations

  The measurement options available for non-controlling interests ('NCI') have been amended. Only components of NCI that constitute a present ownership interest, that entitles their holder to a proportionate share of the entity's net assets, in the event of liquidation, should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

- IAS 1 – Presentation of Financial Statements

  This amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements. The Group provides this analysis in the statement of changes in equity.

Amendments to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IAS 27 – Consolidated and Separate Financial Statements
- IFRS 3 – Business Combinations (Contingent Consideration)
- IFRS 3 – Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)
- IFRS 7 – Financial Instruments – Disclosures
- IFRIC 13 – Customer Loyalty Programmes (determining the fair value of award credits)
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Group's future accounting periods which the Group has not early adopted. The relevant ones are set out below. Unless otherwise stated these are effective for the first time in the year ending 31st December 2013:

- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 1 Presentation of Items of Other Comprehensive Income
- IAS 12 Income taxes (amendment) – Deferred taxes: Recovery of Underlying Assets – effective from 1st January 2012
- IAS 19 Employee Benefits (revised)

The Group has considered the above standards, interpretations and amendments. The Group will comply with these from the respective effective dates. The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements except for the adoption of IAS 19 Employee Benefits which will have an impact on the pension credit in the income statement due to the use of the discount rate instead of a rate of return on assets for calculating the expected return on pension schemes' assets.

2. Accounting policies (continued)

Principal accounting policies

A summary of the Group's principal IFRS accounting policies is set out below:

Basis of consolidation

The consolidated income statement and balance sheet include the accounts of the parent Company and all its subsidiaries made up to the end of the financial year and include the results of subsidiaries and businesses acquired and sold during the year from or up to their effective date of acquisition or sale. The Group defines a subsidiary as an entity that the Group has the power to control. All intra-group balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated in full. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests represent the proportion of profit or loss and net assets that are not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets is determined on a transaction by transaction basis.

Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at its fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IFRS 3 either as a profit or loss or a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the net assets acquired and the liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements are accounted for separately from the business combination in accordance with their nature and applicable IFRSs. Identifiable intangible assets, meeting either the contractual legal or separability criterion are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition date fair value can be measured reliably.

If the aggregate of the acquisition date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in the consolidated income statement.

Goodwill arising on acquisitions prior to 1998 was written off to reserves.

Revenue recognition

Revenue, which excludes value added tax and intra-group revenue, principally represents the invoiced value of goods sold, services rendered and short-term maintenance contracts. Appropriate provisions for returns, trade discounts and other allowances are deducted from revenue as appropriate. The Group has no barter transactions. Revenue is recognised from the sale of goods when the significant risks and rewards of ownership of the goods have passed to the buyer and can be readily measured. This is deemed to be when the goods have been dispatched or are available for delivery and the title has passed to the customer.

Revenue from services rendered is recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction and assessed on the basis of the fair value of the actual service provided as a proportion of the fair value of the total services to be provided.

2. Accounting policies (continued)

Post retirement benefits

The Group operates both defined benefit and defined contribution pension schemes.

Defined benefit pension schemes - the employer's portion of the current service costs, settlement gains and curtailment gains are charged to the consolidated income statement for these schemes, with the interest cost net of the expected return on assets in the schemes also being credited to the consolidated income statement. When a settlement or a curtailment occurs the obligation and scheme assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the consolidated income statement during the year in which the settlement or curtailment occurs. Actuarial gains and losses are recognised in the consolidated statement of comprehensive income, and the consolidated balance sheet reflects the schemes' surplus or deficit at the balance sheet date. The determination of the present value of obligations and the fair value of scheme assets is done with sufficient regularity that the amounts recognised in the financial statements can be determined at the end of the reporting period. A full valuation on an actuarial basis is carried out triennially using the projected unit credit method. The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on scheme assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of scheme assets of contributions received and benefits paid in the year.

The defined benefit pension asset or liability in the consolidated balance sheet comprises the total for each scheme of the present value of the defined benefit obligation, using a discount rate based on high quality corporate bonds, less any past service cost not recognised and less the fair value of scheme assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. Measurement of defined benefit obligations requires an estimation of future changes in salaries and inflation, as well as mortality rates, and the selection of a suitable discount rate.

An asset is recognised when the employer has an unconditional right to use the surplus at some point during the life of the scheme or on its winding up. To the extent that future funding commitments payable will not be available after they are paid into the scheme the Group recognises a liability when the obligation arises.

Defined contribution schemes - payments to defined contribution schemes are charged to the consolidated income statement as they become payable.

Intangible assets

Expenditure relating to clearly defined and identifiable development projects is recognised as an intangible asset only after the following criteria are met: the project's technical feasibility and commercial viability can be demonstrated, the availability of adequate technical and financial resources and an intention to complete the project have been confirmed and the correlation between development costs and future revenues has been established. The development costs are then amortised on a straight line basis over the life of the project, limited to a maximum of seven and a half years following the commencement of its commercial production. Development expenditure that has not been brought into use is also reviewed for impairment on an annual basis. All other research expenditure is written off in the year in which it is incurred.

Computer software licences acquired, costs associated with the developing of software products and software that is not integral to a related item of hardware, are recognised as intangible assets and are amortised over their useful lives, which is limited to a maximum of five years. Development costs mainly arise from internal development. Brands are acquired separately.

Impairment of goodwill and intangibles

Goodwill is subject to an impairment review annually or when there are indications that the carrying value may not be recoverable. An impairment loss is recognised in the consolidated income statement for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its discounted value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. The carrying amount of goodwill allocated to a cash-generating unit ('CGU') is taken into account when determining the gain or loss on disposal of a unit.

Separable intangible assets, such as trademarks, licences and brands, are recognised separately from goodwill on all acquisitions after 1st January 2004, the date of transition to IFRS and they are carried at cost less accumulated amortisation and are amortised over their estimated useful life. Brands identified in certain business combinations have been assessed as having an indefinite

2. Accounting policies (continued)

useful life. In reaching this assessment, account was made of their market-leading position in niche markets, premium image, length of history and fashion. These factors are coupled with continuing marketing spend to maintain the brand. These brands are assessed for impairment on an annual basis or sooner where there is indication of impairment. The carrying values are assessed by reference to the net present values of forecast future cash flows. For brands, the Royalty Relief Methodology is used to forecast future cash flows. This is based on the notion of what an independent third party would need to pay a brand owner in order to use that brand name in a particular marketplace or defined territory.

Assets held for sale

Assets held for sale are valued at the lower of carrying amount and fair value less costs to sell. The assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment

Property, plant and equipment is held at cost less accumulated depreciation. Depreciation is provided on property, plant and equipment, other than freehold land and assets in the course of construction, at rates calculated to write off the cost of each asset on a straight line basis down to its residual value as follows:

i Freehold buildings over 50 years.

ii Leasehold buildings over 50 years or the period of the lease whichever is less.

iii Plant and equipment over a period of 3 to 12½ years.

The Group annually reviews the assessment of residual values and useful lives in accordance with IAS 16. The carrying value of property, plant and equipment is reviewed for impairment if there are indicators that the carrying value amount may not be recoverable.

The gain or loss arising on the disposal of an asset is determined as the difference between the net sales proceeds and the carrying value of the asset and is recognised in the income statement.

Leases

Assets held under leases and hire purchase contracts, where the Group has substantially all the risks and rewards of ownership, are capitalised as owned property, plant and equipment and the obligations relating thereto, excluding finance charges, are included in borrowings. Finance costs are charged to the income statement over the contract term to give a constant rate of interest on the outstanding balance. Finance lease assets held as property, plant and equipment are depreciated over the shorter of the asset's expected useful life and the lease term.

Payments in respect of operating leases, net of any incentives received, are charged in arriving at the operating profit on a straight line basis over the period of the lease.

The Group treats sale and operating leasebacks as disposals and any profit or loss on the transaction is recognised at the time of the sale.

Inventories

The Group's inventories are valued at the lower of cost on a first in first out basis and net realisable value. Cost includes a proportion of production overheads based on normal levels of activity. Provision is made for obsolete and slow moving items.

Borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in finance income and finance cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability at the balance sheet date.

2. Accounting policies (continued)

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated income statement, except when hedge accounting is applied and for differences on monetary assets and liabilities that form part of the Group's net investment in a foreign operation. These are taken directly to the consolidated statement of comprehensive income until the disposal of the net investment when the deferred cumulative amount recognised in the consolidated statement of comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

For each currency, exchange differences arising from the translation of foreign currency borrowings used to finance foreign currency investments have been offset as reserves movements against exchange differences arising on the retranslation of the net investment in that currency.

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the average exchange rate for the month in which they arise. The main foreign currencies used are US Dollars and Euros. The year end rate of exchange used for the Euro was 1.20 (2010: 1.17) and for the US Dollar was 1.55 (2010: 1.57) and the average rates were 1.15 (2010: 1.16) and 1.60 (2010: 1.55), respectively. The resulting exchange differences are taken directly to the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full.

Financial assets include cash and short-term deposits, trade and other receivables, loan notes, quoted and unquoted financial instruments and derivative financial instruments.

Derivative financial instruments are classified as held for trading unless they are designated as hedging instruments. Assets are carried in the consolidated balance sheet at fair value with gains or losses recognised in the consolidated income statement.

Dividends

Final dividends are only recognised at the point when they are declared and approved by the shareholders at the Annual General Meeting. Interim dividends are recognised on payment.

Derivative financial instruments and hedging

Where appropriate, the Group uses derivative financial instruments such as forward foreign exchange contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. The Group does not hold or issue derivative financial instruments for speculative purposes.

2. Accounting policies (continued)

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

Where the criteria are met for hedge accounting, it is applied to the forward foreign exchange contracts put in place to reduce exposure to currency denominated sales and purchases.

Where the criteria for hedge accounting are not met, or the Group elects not to hedge account, gains and losses on the fair value of forward contracts are taken to the consolidated income statement as they arise.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected to be highly effective at inception.

For the purpose of hedge accounting, a hedge is classified as:

- a fair value hedge, i.e. a hedge of the fair value of an asset or a liability. Changes in the fair value of derivative instruments that are designated and qualify as fair value hedges are recorded in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk;
- a cash flow hedge, i.e. a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction. Changes in the fair value of derivative instruments designated as cash flow hedges such as forward foreign exchange contracts are recognised as other comprehensive income to the extent that the hedges are effective. Any ineffective portion is recognised in the consolidated income statement. Amounts deferred in equity are released when the forecast hedged transaction impacts the consolidated income statement; and
- a hedge of a net investment in a foreign entity. The Group hedges net investments in foreign entities primarily through currency borrowings. Any gains or losses on the translation of the borrowings are recognised as other comprehensive income. As the hedge relationship is expected to remain highly effective, the accounting treatment will be applied on an ongoing basis until the Group revokes the designation or the investment is disposed of.

Current and deferred tax

Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the relevant tax authorities, based on tax rates and laws that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group has not provided for deferred tax in relation to temporary differences associated with undistributed earnings of subsidiaries. However, based on current enacted law and on the basis that the Group is in a position to control the timing and realisation of these temporary differences, no material tax consequences are expected to arise.

2. Accounting policies (continued)

Judgement is required when determining the provision for taxes as the tax treatment of some transactions cannot be finally determined until a formal resolution has been reached with the tax authorities. Tax benefits are not recognised unless it is probable that the benefit will be obtained. Tax provisions are made if it is expected that a liability will arise. The Group reviews each significant tax liability or benefit to assess the appropriate accounting treatment.

Employee share options

IFRS 2 'Share based Payments' requires that the cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any service or performance conditions (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Market performance conditions and non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other non-market vesting conditions are satisfied.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the consolidated income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the consolidated income statement.

The measurement of this expense is calculated only on options granted after 7th November 2002. Further details are given in note 22.

Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

Non-recurring costs

The Group presents as non-recurring items on the face of the consolidated income statement, those items of income and expense which, because of the non-recurring nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

3. Segmental analysis

An operating segment is described in IFRS 8 as a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker to make decisions about the resources to be allocated to the segment and assess its performance and for which discrete financial information is available.The directors consider that there are two operating segments namely AGA (which comprises the brands and operations of AGA Rayburn, Fired Earth, Grange, Redfyre and Waterford Stanley) and Rangemaster (which comprises the brands and operations of AGA Marvel, Divertimenti, Heartland, La Cornue and Rangemaster). Two areas of the business were identified over which the directors allocate resource, plan purchasing and manufacturing, have combined sales targets, incentives and marketing programmes. These areas were determined to be the level at which the chief operating decision maker ('CODM') makes decisions and were deemed to be the operating segments of 'AGA' and 'Rangemaster'. The strategy as set by the board is for the Group to be seen as a Global Consumer Brand which sells range cookers, kitchen and related home fashions products internationally with cross selling opportunities creating appreciable competitive advantage for all our individual brands.

3. Segmental analysis (continued)

The operating results of the operating segments, for which discrete information is available, are regularly reviewed by the CODM, which consists of the chief executive and his senior management team, to make decisions about the resources to be allocated to the segments and assess their performance. Management's focus is on the cross selling of all consumer products to our customer database – e.g. AGA Marvel is responsible for distributing product manufactured in the UK at our Leamington Spa (range cookers) and Telford (cast iron cookers) factories, which are then sold in North America under the AGA brand. Waterford Stanley is the distributor for Rangemaster and Rayburn products into Ireland and Grange has developed products that are sold under its own brand and the Fired Earth brand.

Our customers are substantially of the same demographic. At the heart of our sales strategy we look to sell packages of products to our customer base which, for example, may include AGA, Fired Earth, Rangemaster or AGA Marvel branded products and, in addition, this is how our senior management are now incentivised to achieve Group targets.

The two operating segments are considered to meet the aggregation criteria of IFRS 8 in full and so the directors consider that there is only one aggregated reportable segment. The two operating segments are considered to meet the aggregation criteria as they have similar economic characteristics, products and services, production processes, types and classes of customer and methods of distribution. The directors consider the aggregated reportable segment to be the manufacture and sale of range cookers, kitchen and related home fashions product, from which the Group derives most of its revenue. All Group companies are subject to similar economic forces and comparable regulatory environments.

Entity wide disclosures in respect of revenues from external customers and non-current assets are provided below:

	2011 Revenue £m	**2011** Non-current assets £m	2010 Revenue £m	2010 Non-current assets £m
United Kingdom	**157.7**	**67.9**	163.1	68.9
North America	**29.5**	**30.8**	29.8	31.1
Europe	**57.7**	**40.2**	59.9	39.8
Rest of World	**6.0**	**–**	6.3	–
Total operations	**250.9**	**138.9**	259.1	139.8
Tax*	**–**	**4.1**	–	8.7
Total	**250.9**	**143.0**	259.1	148.5

* Restated for deferred tax - see note 21.

4. Net operating costs

	2011 £m	2010 £m
Net operating costs		
Raw materials, consumables and changes in inventories of finished goods and work in progress	**99.2**	104.7
Staff costs (note 5)	**75.5**	75.9
Other operating charges	**64.1**	65.4
Other operating income (includes profit on the sale of assets held for sale)	**(1.3)**	(0.3)
Amortisation of intangibles (note 13)	**1.9**	1.8
Depreciation of property, plant and equipment (note 14)	**5.4**	6.5
Net operating costs	**244.8**	254.0

4. Net operating costs (continued)

	2011 £m	2010 £m
Group operating profit for the year is stated after charging / (crediting):		
(Profit) / loss on disposal of property, plant and equipment and assets held for sale	(0.6)	0.1
Trade receivables impairment (note 16)	–	(0.1)
Raw materials, consumables and changes in inventories of finished goods and work in progress include:		
– Reversal of inventory write down made in previous year (note 15)	(0.8)	(0.7)
– Inventory provision charged in the year (note 15)	0.6	0.4
Research and development expenditure	1.4	1.5
Depreciation of property, plant and equipment (note 14)	5.4	6.5
Amortisation of intangibles (note 13)	1.9	1.8
Operating lease rentals payable:		
– plant and machinery	2.8	2.7
– property	7.3	7.7
Net exchange differences	(0.1)	(0.3)
Auditor's remuneration:		
– Group audit fees	0.1	0.1
– Audit of Company's subsidiaries	0.2	0.1
Other fees to auditor:		
– Taxation services (including general and VAT advice)	0.2	0.3

Non-recurring costs

The non-recurring costs amount to £2.1m in total (2010: £1.4m). £0.9m (2010: £nil) relates to the impairment of assets held for sale (note 14), £0.4m (2010: £0.6m) relates to reorganisation of our AGA Marvel US and Canadian manufacturing and distribution operations, £0.3m (2010: £nil) relates to costs of finalising prior period tax returns and £0.5m (2010: £0.8m) is in relation to the cost of redundancies and employee matters arising later in the year from the introduction of new systems and new products.

5. Employee information

Average number of employees (including directors)	2011	2010
Production	1,302	1,344
Selling and distribution	734	744
Administration and support services	496	492
Total	2,532	2,580

Total staff costs (including directors)	2011 £m	2010 £m
Wages and salaries	65.9	66.5
Social security costs	8.7	8.4
Share based payments	–	0.1
Other pensions costs (note 6)	0.9	0.9
Staff costs (note 4)	75.5	75.9
Net pension credit (note 6)	(3.1)	(16.4)
Total staff costs	72.4	59.5

Other pension costs relate to contributions under defined contribution schemes and are included within Group operating profit. The net pension credit relates to defined benefit schemes and is separately presented on the face of the consolidated income statement.

5. Employee information (continued)

Directors' emoluments	2011 £m	2010 £m
Salaries and short-term benefits	1.2	1.2
Post employment benefits	0.1	0.1
Share based payments	–	0.1
Total directors' emoluments	1.3	1.4

There are two directors who accrued benefits under the defined benefit pension scheme (2010: 2).

6. Pensions

The Group operates several pension schemes, the main one is the AGA Rangemaster Group Pension Scheme, which covers the majority of UK employees. Membership on a defined benefit basis was closed to new entrants in 2001 but the scheme remains open to new entrants on a defined contribution basis. The other defined benefit schemes operating within the Group are the Amari plc Pension and Life Assurance Plan in the UK, the Northland Corporation U.A.W. Retirement Income Plan in the US, the Grange Pension Scheme in France and the Waterford Stanley Limited Retirement Benefits Scheme in Ireland. The assets are held in trust funds separate from the Group's assets although they are included in the Group's consolidated balance sheet. Various defined contribution schemes exist across the Group and the total contributions in the year were £0.9m (2010: £0.9m) which are included under staff costs in note 5.

The latest full triennal actuarial valuation of the main UK scheme was carried out by Towers Watson Limited, independent consulting actuaries, as at 31st December 2008 using the projected unit credit method. The actuarial valuation as at 31st December 2008 showed an actuarial deficit of £161m, reducing to £84m as at 31st December 2009. An actuarial report as at 31st December 2010 showed an actuarial deficit of £62m. The next full actuarial valuation as at 31st December 2011 is under way.

Defined benefit scheme contributions of £2.8m (2010: £1.6m) based on pensionable salaries, an additional contribution of £2.0m and other payments of £0.8m were made by the Group during the year ended 31st December 2011. Contributions of £0.1m (2010: £0.1m) were owed to the scheme at 31st December 2011.

Contributions for 2012 under the main UK scheme will be 15.4% (2011: 14.9%) for all members accruing benefits on a final salary basis with the exception of six members of the former 1970 scheme who will accrue benefits at 30.5% (2011: 29.5%) of capped basic salaries. Normal contributions of around £2.5m, a £10.0m additional contribution and other payments of around £1.0m are set out to be paid by the Group during 2012. Under the recovery plan put in place, on completion of the last full triennial actuarial valuation as at 31st December 2008, £10.0m a year from 2012 to 2020 inclusive and a bullet payment of £48.0m on 31st December 2020 are payable into the scheme. These arrangements may be reviewed with the completion of the 2011 actuarial valuation. The trustee and the Company have agreed to move forward quickly with the 2011 valuation; the objective is to modify existing arrangements so that there is a clear, stable framework for both the Group and the scheme in place as soon as practicable.

The financial assumptions used to calculate the defined benefit schemes' liabilities under IAS 19 were:

	UK schemes 2011	Waterford Stanley scheme 2011	UK schemes 2010	Waterford Stanley scheme 2010
Rate of increase in pensionable salaries	0.0%	2.5%	0.0%	2.9%
Rate of increase of pensions in payment	2.3 – 3.1%	2.0%	2.3 – 3.6%	1.9%
Discount rate	4.8%	4.5%	5.4%	5.1%
Inflation rate – in payment	2.9%	2.0%	3.4%	1.9%
Inflation rate – in deferment	1.9%	2.0%	2.7%	1.9%
Expected rate of return on schemes' assets	5.7%	5.1%	6.2%	6.0%

The overall expected rate of return on assets is the average of the best estimate for the expected long-term rate of return for each of the major asset classes weighted according to the percentage allocation of the aggregated assets to each of the asset classes at the reporting date. The major asset classes of equities and bonds have an expected long-term rate of return of 8.0% (2010: 8.2%) and 4.3% (2010: 4.9%) respectively.

6. Pensions (continued)

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least an 'AA' rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases and pension increases are based on expected future inflation rates for the respective country. The mortality rate is based on publicly available mortality tables for the specific country.

The demographic assumptions used include rates for mortality which, for example, lead to an average projected life expectancy of 19.2 (2010: 19.1) years for male members and 21.4 (2010: 21.3) years for female members currently aged 65 and of 20.7 (2010: 20.6) years from age 65 for male members and 22.9 (2010: 22.8) years from age 65 for female members currently aged 50.

Sensitivities

The value of scheme assets is sensitive to market conditions. Changes in assumptions used for determining retirement benefit costs and obligations may have a material impact on the consolidated income statement and the consolidated balance sheet. The main assumptions are the discount rate, the rate of inflation and the assumed mortality rate. The following table provides an estimate of the potential impact on the principal pension schemes of changing each of these variables:

		Higher / (lower) pension credit		Increase / (decrease) in liabilities	
		2011 £m	2010 £m	**2011 £m**	2010 £m
Discount rate	– 0.1% decrease	**–**	0.1	**12.1**	11.8
	– 0.1% increase	**(0.2)**	–	**(11.9)**	(11.6)
Inflation rate	– 0.1% decrease	**0.4**	0.6	**(10.0)**	(9.7)
	– 0.1% increase	**(0.6)**	(0.5)	**10.1**	9.8
Mortality rate	– one year increase in life expectancy	**(2.0)**	(2.3)	**40.0**	40.6

	2011		2010	
The assets and obligations of the aggregated schemes:	**%**	**£m**	%	£m
Equities	**31.4**	**243.3**	34.8	264.0
Bonds	**54.2**	**419.4**	53.2	404.1
Property	**10.9**	**84.3**	11.0	83.5
Other	**3.5**	**27.2**	1.0	7.9
Fair value of schemes' assets	**100.0**	**774.2**	100.0	759.5
Present value of funded obligation		**(768.9)**		(752.4)
Net surplus in the schemes		**5.3**		7.1

Investments of the defined benefit schemes are diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets are invested in bonds, although the schemes also invest in equity, property and cash.

Balance sheet presentation:	**2011 £m**	2010 £m
Retirement benefit surplus	**6.8**	8.6
Retirement benefit obligation	**(1.5)**	(1.5)
Net surplus in the schemes	**5.3**	7.1

Included above are assets with a market value of £5.5m (2010: £5.2m) and a deficit of £1.5m (2010: £1.2m) in respect of overseas schemes. The foreign exchange impact on the overseas schemes is £nil.

The amounts recognised in the consolidated income statement are as follows:	**2011 £m**	2010 £m
Current service cost – defined benefit	**(3.3)**	(3.1)
Curtailment gain	**–**	16.3
Expected return on pension schemes' assets	**45.9**	43.8
Interest cost on pension schemes' liabilities	**(39.5)**	(40.6)
Net pension credit included in the consolidated income statement	**3.1**	16.4

6. Pensions (continued)

The curtailment gain in 2010 relates to the freezing of pensionable salaries for certain members of the main UK scheme in the year ended 31st December 2010 whose pensionable salaries had not been frozen in the year ended 31st December 2009.

History of experience gains and losses:	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Fair value of schemes' assets	774.2	759.5	716.0	655.0	776.9
Present value of funded obligation	(768.9)	(752.4)	(756.5)	(597.5)	(697.3)
Net surplus / (deficit) in the schemes	5.3	7.1	(40.5)	57.5	79.6
Experience gain / (loss) on schemes' liabilities	3.1	3.0	(5.1)	2.0	15.3
Experience gain / (loss) on schemes' assets	2.8	33.6	57.3	(137.0)	(31.2)

Movement in net surplus / (deficit) of the aggregated schemes during the year:	2011 £m	2010 £m
Net surplus / (deficit) of the schemes at 1st January	7.1	(40.5)
Net pension credit	3.1	16.4
Company contributions	5.6	4.6
Actuarial (loss) / gain	(10.5)	26.6
Net surplus of the schemes at 31st December	5.3	7.1

The cumulative amount recognised in the consolidated statement of comprehensive income since 1st January 2004 is £55.7m loss (2010: £45.2m loss).

Changes in the present value of the defined benefit obligation are as follows:	2011 £m	2010 £m
Present value of obligation at 1st January	752.4	756.5
Interest costs	39.5	40.6
Current service cost	3.3	3.1
Member contributions	0.6	0.6
Benefit payments (including lump sums on retirement)	(39.8)	(38.8)
Curtailment gain	–	(16.3)
Increase on change of actuarial assumptions	13.3	6.9
Other adjustments	(0.4)	(0.2)
Present value of obligation at 31st December	768.9	752.4

Changes in the fair value of the schemes' assets are as follows:	2011 £m	2010 £m
Fair value of schemes' assets at 1st January	759.5	716.0
Benefit payments (including lump sums on retirement)	(39.8)	(38.8)
Company contributions	5.6	4.6
Member contributions	0.6	0.6
Expected return on schemes' assets	45.9	43.8
Actuarial gains	2.8	33.6
Other adjustments	(0.4)	(0.3)
Fair value of schemes' assets at 31st December	774.2	759.5

The actual gain on the schemes' assets was £48.7m (2010: gain £77.4m).

7. Net finance income / (costs)

Finance income:	2011 £m	2010 £m
Bank interest	0.2	0.1
Interest on one-off repayment from tax authorities	0.8	0.1
Total finance income	1.0	0.2
Finance costs:	£m	£m
Borrowings	(0.4)	(0.3)
Other borrowings	(0.2)	(0.1)
Total finance costs	(0.6)	(0.4)
Net finance income / (costs)	0.4	(0.2)

8. Tax

United Kingdom corporation tax:	2011 £m	Restated* 2010 £m
Current tax on income for year	0.3	0.5
Adjustments in respect of prior years	(11.2)	3.4
United Kingdom corporation tax	(10.9)	3.9
Overseas current tax on income for year	(0.6)	0.5
Total current tax (credit) / charge	(11.5)	4.4
United Kingdom deferred tax charge:		
– change in rate of corporation tax	0.2	0.1
– current year	2.3	4.6
– adjustments in respect of prior years	3.6	(3.1)
Overseas deferred tax credit in year	–	(0.2)
Total deferred tax charge	6.1	1.4
Total United Kingdom tax	(4.8)	5.5
Total overseas tax	(0.6)	0.3
Tax (credit) / charge – continuing operations	(5.4)	5.8
The total tax (credit) / charge in the consolidated income statement is disclosed as follows:		
Tax (credit) / charge – continuing operations	(5.4)	5.8
Tax credit – discontinued operations (note 9)	(5.7)	–
Total tax (credit) / charge	(11.1)	5.8

The continuing tax credit for the year includes a non-recurring £6.1m credit being a release of provisions made for tax in respect of the prior year tax returns now agreed, split between a £11.0m credit in respect of corporation tax and a charge of £4.9m in respect of deferred tax. The tax credit of £5.7m, included in discontinued operations, relates to adjustments in respect of prior years for previously discontinued operations.

Deferred tax taken directly to the consolidated statement of comprehensive income was a credit of £2.3m (2010: charge £7.2m).

Factors affecting the future tax charge - a reduction in the UK corporation tax rate from 28% to 26% was substantively enacted in March 2011 and was effective from 1st April 2011. A further reduction from 26% to 25% was substantively enacted in July 2011 and will be effective from 1st April 2012. Accordingly, these rates have been applied in the measurement of the Group's deferred tax assets and liabilities as at 31st December 2011.

8. Tax (continued)

In addition, the Government announced its intention to reduce further the UK corporation tax rate to 24% from 1st April 2013 and to 23% from 1st April 2014. The aggregate impact of the proposed reductions from 25% to 23% would reduce the deferred tax assets and deferred tax liabilities by approximately £0.1m and £0.2m, respectively.

The total tax assessed for the year is lower than the standard rate of corporation tax in the UK as explained below:

	2011 £m	Restated* 2010 £m
Profit before tax	7.5	19.9
Profit multiplied by the standard rate of corporation tax in the UK of 26.5% (2010: 28.0%)	2.0	5.6
Effects of:		
– lower rate of future tax	0.2	0.1
– non-allowable expenditure	0.2	–
– prior year adjustment	–	0.8
– non-taxable income	(0.2)	(1.0)
– adjustment to tax charge in respect of prior years	(7.6)	0.3
Total tax (credit) / charge – continuing operations	(5.4)	5.8

* Restated for deferred tax - see note 21.

9. Discontinued operations

The profit for the year from discontinued operations of £2.7m (2010: £nil) includes a tax credit of £5.7m (2010: £nil) (see note 8) and charges of £3.0m (2010: £nil). During the year costs relating to previously discontinued operations of £1.2m (2010: £0.4m) were paid, as shown in the consolidated cashflow statement. These payments were made under certain indemnities provided under the disposal agreements for Foodservice. Adjustments have also been made to continuing provision levels in light of the judgement relating to the German minority interest (see note 30).

10. Dividends

	2011 £m	2010 £m
Final dividend paid of 1.0 pence per share for the year ended 31st December 2010 (2009: nil)	0.7	–
Interim dividend paid of 0.8 pence per share for the year ended 31st December 2011 (2010: 0.7 pence)	0.5	0.5
Amounts recognised as distributions to equity shareholders in the year	1.2	0.5

The directors are recommending a final dividend in respect of the financial year ended 31st December 2011 of 1.1 pence (2010: 1.0 pence) per share.

11. Earnings per share

The basic earnings per share ('EPS') is calculated by dividing the earnings attributable to equity shareholders of the parent by the weighted average number of ordinary shares outstanding during the year.

For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares. Share options granted to employees represent the potential dilutive shares. Share options which are either contingently issuable and for which performance criteria have not been met, or options which are anti-dilutive have been excluded from the calculation of the diluted EPS.

11. Earnings per share (continued)

The earnings and weighted average number of shares are set out below:

	2011 £m	Restated* 2010 £m
Earnings for the purpose of the basic and diluted EPS		
Profit after tax	12.9	14.1
Non-controlling interests	0.1	0.1
Profit attributable to equity holders of the parent – continuing operations	13.0	14.2
Profit after tax – discontinued operations	2.7	–
Profit attributable to equity holders of the parent – total operations	15.7	14.2
Weighted average number of shares in issue	million	million
For basic EPS calculation	69.3	69.2
Dilutive effect of share options and Long-Term Incentive Plan	–	–
For diluted EPS calculation	69.3	69.2
EPS attributable to equity holders of the parent – continuing operations	p	p
Basic	18.8	20.5
Diluted	18.8	20.5
EPS attributable to equity holders of the parent – discontinued operations	p	p
Basic	3.9	–
Diluted	3.9	–
EPS attributable to equity holders of the parent – total operations	p	p
Basic	22.7	20.5
Diluted	22.7	20.5

* Restated for deferred tax - see note 21.

12. Goodwill

	2011 £m	2010 £m
Cost		
At 1st January	66.7	66.9
Acquired in the year (note 23)	0.2	–
Exchange adjustment	(0.2)	(0.2)
At 31st December	66.7	66.7

Impairment testing

The recoverable amount of goodwill allocated to the cash-generating units ('CGUs') has been determined based on a value in use calculation.

CGUs

AGA, Fired Earth, Grange, Redfyre and Waterford Stanley form the AGA CGU with AGA Marvel, Divertimenti, Heartland, La Cornue and Rangemaster forming the Rangemaster CGU. Given the shared resource and integration within these two business combinations they are deemed to be the smallest identifiable group of assets that generate cash inflows that are largely independent of each other. Goodwill at 31st December 2011 is allocated over the two CGUs as follows: AGA £38.5m (2010: £38.7m) and Rangemaster £28.2m (2010: £28.0m).

Key assumptions used in value in use calculation

Cash flows – for goodwill impairment testing, future cash flows are based on the board approved, budgeted, cash flows for both of the relevant CGUs for 2012. The operating cash flows reflect management's current expectations of future performance incorporating judgements around the current economic climate and reflecting cost savings made as a result of the non-recurring costs incurred. Management's expectations are also formed in line with performance to date and experience, as well as available external market data.

12. Goodwill (continued)

Growth rates – a 2% (2010: 2%) growth rate is assumed for the four years following the budget year. A terminal value is then calculated. The growth rate is based on the current external inflation forecasts for the medium-term.

Discount rate – the future cash flows are discounted, at the pre-tax cost of capital applicable to that particular CGU. The discount rate for both CGUs is 9.0% (2010: 8.4%). The discount rate has been risk adjusted by utilising a company specific beta and equity risk premium.

Sensitivities – a reasonable change in key assumptions, on which management has based its determination of the recoverable amount, does not cause the carrying amount to exceed its recoverable amount.

13. Intangible assets

	Computer software £m	Brands £m	Development costs £m	Other £m	Total £m
Cost					
At 1st January 2011	4.9	13.1	14.7	0.7	**33.4**
Exchange adjustment	–	(0.3)	–	–	**(0.3)**
Acquired in the year (note 23)	–	0.4	–	–	**0.4**
Additions – internally generated	–	–	1.9	–	**1.9**
Additions – externally acquired	0.8	–	0.2	–	**1.0**
Reclassification	–	–	0.2	(0.2)	**–**
Disposals	(0.1)	–	(0.3)	–	**(0.4)**
At 31st December 2011	5.6	13.2	16.7	0.5	**36.0**
Amortisation					
At 1st January 2011	3.8	–	6.6	0.1	**10.5**
Reclassification	–	–	0.1	(0.1)	**–**
Disposals	(0.1)	–	(0.2)	–	**(0.3)**
Charge for the year	0.4	–	1.5	–	**1.9**
At 31st December 2011	4.1	–	8.0	–	**12.1**
Net book value at 31st December 2011	**1.5**	**13.2**	**8.7**	**0.5**	**23.9**

	Computer software £m	Brands £m	Development costs £m	Other £m	Total £m
Cost					
At 1st January 2010	4.6	13.6	13.2	0.8	32.2
Exchange adjustment	–	(0.5)	–	–	(0.5)
Additions – internally generated	0.2	–	1.6	–	1.8
Additions – externally acquired	0.1	–	0.1	–	0.2
Disposals	–	–	(0.2)	(0.1)	(0.3)
At 31st December 2010	4.9	13.1	14.7	0.7	33.4
Amortisation					
At 1st January 2010	3.5	–	5.3	0.2	9.0
Disposals	–	–	(0.1)	(0.2)	(0.3)
Charge for the year	0.3	–	1.4	0.1	1.8
At 31st December 2010	3.8	–	6.6	0.1	10.5
Net book value at 31st December 2010	1.1	13.1	8.1	0.6	22.9

Computer software and development costs

Computer software and development costs are amortised and the amortisation is charged directly to the consolidated income statement. Development costs are tested for impairment annually using future cash flows for each project and an appropriate discount rate.

13. Intangible assets (continued)

Brands

Brands are considered to have an indefinite life and are subject to impairment testing.

Impairment testing

To test the impairment of brands the Royalty Relief Methodology is used to forecast future cash flows. Cash flows are estimated using an imputed royalty rate applied to board approved, budgeted revenues for 2012.

Growth rate – a growth rate of 2% (2010: 2%) is assumed for the four years following the budget year. A terminal value is then calculated. This growth rate is based on the current external inflation forecasts for the medium-term.

Discount rates – future cash flows are discounted at the pre-tax discount rate applicable to that particular brand. The appropriate discount rate for each brand has been adjusted to reflect an independent capital structure. The Group has risk adjusted the discount rates by utilising a company beta and equity risk premium. For 2011 testing 8.5% was used for the Grange brand and 9.0% for the Group's other significant brands (2010: 7.4% and 8.4%, respectively).

Royalty rates – imputed royalty rates used in the cash flow forecasts for brands are in the range 2.9% to 3.5%. Management considers the appropriateness of the royalty rates used on an annual basis.

Sensitivities – a reasonable change in key assumptions, on which management has based its determination of the recoverable amount, does not cause the carrying amount to exceed its recoverable amount.

Other

Items included in the 'other' category include patents and customer lists acquired. Other intangibles are considered to have an indefinite life and are subject to impairment testing. No indicators of impairment have been identified.

14. Property, plant and equipment

	Freehold and long leasehold land and buildings £m	Plant, machinery and equipment £m	Assets in course of construction £m	Total £m
Cost				
At 1st January 2011	21.8	89.8	0.6	112.2
Exchange adjustment	–	(0.3)	–	(0.3)
Capital expenditure	0.3	5.1	0.1	5.5
Disposals	(0.6)	(2.6)	–	(3.2)
Reclassification	–	0.3	(0.3)	–
At 31st December 2011	21.5	92.3	0.4	114.2
Depreciation				
At 1st January 2011	7.7	63.7	–	71.4
Exchange adjustment	(0.1)	(0.2)	–	(0.3)
Charge for the year	0.4	5.0	–	5.4
Disposals	(0.6)	(2.5)	–	(3.1)
At 31st December 2011	7.4	66.0	–	73.4
Net book value at 31st December 2011	**14.1**	**26.3**	**0.4**	**40.8**

The cost of property, plant and equipment includes £0.1m (2010: £0.1m) of assets held under finance leases. The net book value of these assets was £nil (2010: £0.1m). All leases are reviewed and are capitalised where appropriate.

Assets held for sale

Three out of four of the properties which were held for sale in 2010, remained unsold in 2011, due to local market conditions. These properties continue to be actively marketed. The directors are committed to achieving their sale and believe this can be achieved at the fair value in 2012. So as to maxmimise the likelihood of their sale the directors have reassessed the estimated sales proceeds given current market conditions and have adjusted the carrying values accordingly. As a result two out of the remaining three properties have been impaired by a total of £0.9m.

14. Property, plant and equipment (continued)

During 2011 Niagara Corporation exercised its option to acquire the freeholds of certain properties used by its operations. These properties were transferred to assets held for sale at their net book value of £6.7m during 2010.

The total assets held for sale amounted to £2.6m at 31st December 2011 (2010: £10.2m).

	Freehold and long leasehold land and buildings £m	Plant, machinery and equipment £m	Assets in course of construction £m	Total £m
Cost				
At 1st January 2010	31.6	89.5	0.5	121.6
Exchange adjustment	–	(0.2)	–	(0.2)
Capital expenditure	0.1	3.4	0.2	3.7
Transfer to assets held for sale	(9.7)	–	–	(9.7)
Disposals	(0.2)	(3.0)	–	(3.2)
Reclassification	–	0.1	(0.1)	–
At 31st December 2010	21.8	89.8	0.6	112.2
Depreciation				
At 1st January 2010	9.7	61.1	–	70.8
Exchange adjustment	(0.1)	(0.2)	–	(0.3)
Charge for the year	0.8	5.7	–	6.5
Transfer to assets held for sale	(2.6)	–	–	(2.6)
Disposals	(0.1)	(2.9)	–	(3.0)
At 31st December 2010	7.7	63.7	–	71.4
Net book value at 31st December 2010	14.1	26.1	0.6	40.8

15. Inventories

	2011 £m	2010 £m
Raw materials and consumables	**9.2**	8.0
Work in progress	**6.5**	6.1
Finished goods	**29.8**	28.7
Total inventories at the lower of cost and net realisable value	**45.5**	42.8

The Group expensed £99.2m of inventories during the year (2010: £104.7m). The Group charged £0.6m to inventory provisions in the year (2010: £0.4m). The Group reversed £0.8m of the inventory provision in the year that was subsequently not required (2010: £0.7m). The Group did not hold any inventories pledged as security for liabilities (2010: £nil).

16. Trade and other receivables

Amounts falling due within one year	2011 £m	2010 £m
Trade receivables	23.6	23.3
Less provision for impairment of receivables	(0.4)	(0.4)
Trade receivables – net	23.2	22.9
Other receivables	2.4	2.3
Prepayments and accrued income	5.2	4.6
Total receivables falling due within one year	30.8	29.8
Amounts falling due after one year		
Other receivables	0.7	0.8
Total receivables	31.5	30.6

The Group provides for trade receivables on estimated irrecoverable amounts from the sale of goods based on the age of debt, past default experience and any other information which comes to light which suggests that the recoverable amount may be impaired. There is a Group-wide credit insurance policy in the UK. This covers 90% of individual debts in these units up to specific insured limits.

The Group uses external agencies to credit score new customers where appropriate to assess their credit quality and define an initial credit limit. Limits and credit scoring are reviewed as necessary. Aged debt reports are reviewed by local management on a regular basis with 'debt at risk' forms being formally submitted to Group on a monthly basis. £1.4m of trade receivables are factored. Given the Group retains the risks and rewards of these amounts, these are not derecognised.

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date the Group first traded with that company. Credit risk is mitigated by the relatively large customer base.

Included in trade receivables are balances of £5.2m (2010: £4.8m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of past due but not impaired receivables	2011 £m	2010 £m
30-60 days	2.0	1.9
60-90 days	2.4	1.1
90-120 days	0.2	0.7
120+ days	0.6	1.1
Total receivables past due but not impaired	5.2	4.8

Movement in the provision for impairment of receivables	2011 £m	2010 £m
At 1st January	0.4	0.5
Impairment losses recognised	0.1	0.1
Receivables written off during the year as uncollectible	–	(0.1)
Amounts previously impaired recovered	(0.1)	(0.1)
At 31st December	0.4	0.4

17. Trade and other payables

Current trade and other payables	2011 £m	2010 £m
Trade payables	40.0	37.5
Payments on account	0.9	1.0
Social security	3.8	4.2
Accruals and deferred income	11.1	13.9
Other payables	9.6	10.9
Total current trade and other payables	65.4	67.5

18. Cash and borrowings

a) Cash and cash equivalents

	2011 £m	2010 £m
Cash at bank and in hand	0.1	0.1
Short-term bank deposits	48.0	51.6
Cash and cash equivalents	48.1	51.7

The Group's cash balance of £48.1m includes £22.5m, which is collateralised against a bank guarantee that the Group has provided to the AGA Rangemaster Group Pension Scheme.

The short-term bank deposits have a weighted average maturity of under one month (2010: under one month) with an effective interest rate of 0.3% (2010: 0.2%).

The fair value of cash and short-term deposits is £48.1m (2010: £51.7m).

b) Financial liabilities – borrowings

Borrowings	2011 £m	2010 £m
Current borrowings	1.4	1.7
Non-current borrowings	15.4	15.4
Total	16.8	17.1

The Group's borrowings are primarily loan advances denominated in a number of currencies and interest is based on LIBOR or foreign equivalents. Borrowings have been classified as current and non-current liabilities with reference to the final maturity date of the facility agreements.

Borrowings comprise the following:	Interest rate basis	2011 £m	2010 £m
Bank factoring of trade receivables – current (note 16)	Floating	1.4	1.7
Unsecured bank loans – non-current	Floating	15.1	15.1
Other secured loans 2018	Floating	0.3	0.3
Total bank borrowings		16.8	17.1

The £15.1m non-current unsecured bank loans are currency denominated loan advances from committed revolving credit facilities, which bear interest rates based on LIBOR and margins ranging between 0.375% and 0.6%.

19. Financial instruments

Capital management

The Group's capital comprises the equity attributable to the equity holders of the parent. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Group monitors the nature and spread of its shareholders. Employees are encouraged to hold shares in the Company. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group also has bank facilities in place to fund the business. These are discussed in more detail under liquidity risk below.

The central treasury function sets out the treasury policy including guidelines for managing interest rate and cash flow risk, credit and price risk, foreign currency risk and liquidity risk as discussed below. The objective of the treasury policy is to manage the Group's financial risk and to ensure that adequate financial resources are available for the development of the Group.

Interest rate and cash flow risk

The Group is exposed to a number of global interest rates – notably the UK, Eurozone and US rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group analyses its interest rate exposure on a regular basis. Based on various scenarios the Group calculates the impact on profit and loss for a defined interest rate shift.

19. Financial instruments (continued)

The following table demonstrates the sensitivity to a change in interest rates, with all other variables held constant on the Group's profit before tax and equity. There were no interest rate swap agreements in place throughout 2011 (2010: nil).

		Increase/ (decrease) in basis points	Effect on profit/equity before tax £m
2011	**Cash**	+50/(50)	0.2/(0.2)
	Borrowings	+50/(50)	(0.1)/0.1
2010	Cash	+50/(50)	0.3/(0.3)
	Borrowings	+50/(50)	(0.1)/0.1

Credit and price risk

The Group monitors closely the availability of trade finance to its customers and suppliers. The ability for the Group and its principal operations to maintain trade credit insurance on our customers is a significant issue for the Group. Where insurers inform us it is their intention to withdraw or reduce trade credit insurance cover on our customers we undertake detailed analysis on commercial and financial information available and actively manage the terms of trade with any such customers as appropriate. In addition, the ability of our suppliers to maintain credit insurance on the Group and its principal operations is an important issue. We have excellent relationships with our suppliers and we continue to work closely with them on a normal commercial basis. There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date. The Group's policy on minimising credit risk with respect to its trade and other receivables is stated in note 16.

The Group is exposed to risk in the price movement of key raw materials and energy. The Group manages these risks and has a one year fixed price energy supply contract and a one year partially fixed steel supply contract for its main activities. The Group continually reviews its exposure to any remaining commodity risk to ensure that commercial opportunities are fully maximised and risks mitigated wherever possible.

Foreign currency risk

The Group's main transaction exposures are in respect of products manufactured in one currency region and sold in another currency and exposure through the movement in exchange rates on purchases of raw materials and other goods that are not denominated in sterling. These are mainly imports from Asia and the US which are denominated in US Dollars and imports from Europe which are denominated in Euros. These currency outflows are offset by inflows of US Dollars relating to UK exports to US markets and inflows of Euros in respect of UK exports to the eurozone respectively. The main translation risk is that the results of non-UK businesses will translate into differing sterling values depending on the exchange rates.

a) Forward foreign exchange contracts

As a result of the Group's geographical presence and operations, forward foreign exchange contracts are put in place.

As at 31st December 2011, the notional amounts of outstanding forward foreign exchange contracts that the Group was committed to were GBP 1.0m (2010: GBP 0.8m), CHF 0.7m (2010: CHF 0.7m) and USD 0.4m (2010: USD 0.7m). The fair value of these open forward foreign exchange contracts is not material. The contracts have been put in place to mitigate the foreign currency risk of anticipated future sales and purchase commitments and mature over the next twelve months.

There were no forward foreign exchange contracts designated as cash flow hedges at the balance sheet date (2010: nil).

b) Hedge of net investment in foreign entities

The Group has Euro and US Dollar denominated borrowings, which it has designated as a hedge of a proportion of its investment in its subsidiaries in Europe and the US. The carrying value of such Euro borrowings at 31st December 2011 was £6.3m (2010: £6.4m) and the carrying value of the US Dollar borrowings was £8.8m (2010: £8.7m). The exchange differences on the translation of these borrowings into sterling have been recognised in translation reserves, although in 2011 these netted off to nil (2010: £nil).

19. Financial instruments (continued)

Liquidity risk

The Group's funding objective is to have sufficient long-term committed facilities, in addition to uncommitted facilities and finance lease agreements, to meet its funding needs. The Group maintains relationships with several large financial institutions. The Group's committed loan facilities have two principal financial covenants: interest cover and net debt / Earnings Before Interest, Tax, Depreciation and Amortisation. The Group complied with these covenants throughout the year and at the end of the year. The Group has sound and long established arrangements in place with its relationship banks who offer committed and uncommitted facilities, which together with cash flow monitoring and cash surpluses, provide adequate funding for the Group's operations. The £10m of committed facilities which matured on 28th February 2011 were not renewed in the light of the increased cash balance being maintained in 2011. The remaining committed facilities mature in 2012 onwards and the two facilities maturing in March 2013 and April 2013 have now been extended to July 2013 and August 2013 respectively.

The Group maintains a mixture of short-term uncommitted and medium-term committed facilities to ensure a sufficient level of funds and guarantee facilities are available for its business operations. The £75.0m committed facilities have been arranged to help finance the Group's activities. These facilities incur commitment fees at market rates.

The following table analyses utilisation of the Group's principal committed facilities at the year-end:

	2011 £m	2010 £m
Expiring within 1 year	12.5	10.0
Expiring between 1 and 2 years	19.9	12.5
Expiring between 2 and 5 years	–	19.9
Total undrawn committed facilities	32.4	42.4
Non-current borrowings used to hedge investments in foreign operations	15.1	15.1
Guarantees provided (note 27)	27.5	27.5
Total committed facilities	75.0	85.0

In addition to the committed facilities detailed above, the Group also has uncommitted facilities totalling £18.8m (2010: £22.2m).

Maturity profile of financial liabilities

The table below summarises the maturity profile of the Group's financial liabilities at 31st December 2011 and 2010 based on contractual undiscounted payments. Floating rate borrowings are re-priced within six months from the balance sheet date.

2011	**Interest rate basis**	**Within 1 year £m**	**1-2 years £m**	**2-3 years £m**	**3-4 years £m**	**4-5 years £m**	**5 years and over £m**	**Total £m**
Borrowings	Floating	1.4	15.2	–	0.1	0.1	0.1	**16.9**
Trade payables		40.0	–	–	–	–	–	**40.0**
Other payables, accruals & social security		24.5	–	–	–	–	–	**24.5**
Total		**65.9**	**15.2**	**–**	**0.1**	**0.1**	**0.1**	**81.4**

2010	**Interest rate basis**	**Within 1 year £m**	**1-2 years £m**	**2-3 years £m**	**3-4 years £m**	**4-5 years £m**	**5 years and over £m**	**Total £m**
Borrowings	Floating	1.8	0.2	15.2	0.1	0.1	0.1	17.5
Trade payables		37.5	–	–	–	–	–	37.5
Other payables, accruals & social security		29.0	–	–	–	–	–	29.0
Total		68.3	0.2	15.2	0.1	0.1	0.1	84.0

19. Financial instruments (continued)

Carrying value

The carrying value of the Group's financial assets, including trade and other receivables and cash, and financial liabilities, including trade and other payables and borrowings, as disclosed in the balance sheet, are equivalent to their fair value at the balance sheet date.

20. Provisions

	Product warranties £m	Reorganisation £m	Discontinued & other £m	Total £m
At 1st January 2011	2.9	0.2	7.2	**10.3**
Charge in the year	1.8	0.4	2.8	**5.0**
Utilised in year	(1.7)	(0.5)	(1.4)	**(3.6)**
At 31st December 2011	**3.0**	**0.1**	**8.6**	**11.7**

Provisions have been allocated between current and non-current as follows:

	2011 £m	2010 £m
Current	10.2	2.1
Non-current	1.5	8.2
At 31st December	11.7	10.3

Product warranties

Provision is made for the estimated liability on all products still under warranty. Product warranties of between one and three years are given for the Group's main products.

Reorganisation

The reorganisation provision includes the remaining costs associated with announced reorganisations within the Group which occurred during the year.

Discontinued and other

These provisions mainly relate to the remaining costs in respect of the disposal of Pipe Systems in 2001 and Foodservice in 2007, including possible warranty and indemnity claims, other claims and other costs from third parties in relation to these divested businesses. Although the majority of these provisions may be realised in the next accounting period, the exact timing is unclear. The Group has received a judgement from a German court in 2012 relating to the valuation of a minority shareholding in a business which the Group acquired in 1998 and sold in 2001 as part of the Pipe Systems disposal and therefore expects settlement payments to be made in 2012. The provision held reflects the expected settlement.

21. Deferred tax

Deferred tax is calculated on temporary differences under the balance sheet liability method using a tax rate of 25% (2010: 27%). The movement on the deferred tax account is shown below:

Deferred tax – net	2011 £m	Restated 2010 £m
At 1st January - restated	3.0	11.6
Exchange	(0.1)	–
Taken to equity	2.3	(7.2)
Charged to income statement (note 8)	(6.1)	(1.4)
At 31st December	(0.9)	3.0

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where it is probable that these assets will be recovered.

21. Deferred tax (continued)

The movement in deferred tax assets and liabilities, prior to offsetting the balances, during the year is shown below:

Deferred tax assets	Pensions £m	Tax losses £m	Total £m
At 1st January 2011 - restated	0.6	8.1	**8.7**
Exchange	-	(0.1)	**(0.1)**
Charged to income statement	(0.2)	(4.3)	**(4.5)**
At 31st December 2011	**0.4**	**3.7**	**4.1**

Deferred tax liabilities	Pensions £m	Accelerated tax depreciation £m	Other £m	Total £m
At 1st January 2011 - restated	1.7	1.2	2.8	**5.7**
Taken to equity	(2.3)	–	–	**(2.3)**
Charged to income statement	2.3	(0.7)	–	**1.6**
At 31st December 2011	**1.7**	**0.5**	**2.8**	**5.0**

In resolving a number of prior year deferred tax items, it has been identified that the deferred tax balances recorded in prior years needed to be recalculated. Due to the fact that the impact is considered by the Group to be material to the statement of the tax position, the results presented at 31st December 2010 have been restated by means of a prior year adjustment. The effect of the restatement of the 31st December 2010 financial statements is to reduce deferred tax assets by £3.1m to £8.7m and to increase deferred tax liabilities by £1.7m to £5.7m. The impact on the income statement is to increase income tax expense by £0.8m to £5.8m and therefore decrease profit for the year after tax by £0.8m to £14.1m. The impact on earnings per share was to decrease basic and diluted earnings per share from 21.7p to 20.5p. Cumulative retained losses at 31st December 2009 were increased by £4.0m to £18.1m. As required under IFRS the 31st December 2009 balance sheet has been restated and presented. The effect of the restatement of the 31st December 2009 balance sheet is to reduce deferred tax assets by £4.0m to £17.7m.

The Group has unprovided deferred tax assets of £3.8m relating to other timing differences. A deferred tax asset has not been recognised as the future recovery of the assets is uncertain.

22. Share capital and share based payments

	2011		2010	
Allotted, called up and fully paid	**m**	**£m**	m	£m
Ordinary shares of 46⁷/₈p each as at 31st December	**69.3**	**32.5**	69.2	32.5

During the year 28,149 ordinary shares were issued in connection with the Company's share option schemes for an aggregate consideration of £13,195 (2010: £nil). The options were exercised at a quarter up price of 130.5 pence at the time of exercise and retained making a gain on exercise of £36,734.

All of the ordinary shares rank equally with respect to voting rights and rights to receive ordinary and special dividends. There are no restrictions on the rights to transfer shares.

Share options

The Group has the following share option schemes in place:

The Senior Executive Share Option Scheme

The Senior Executive Share Option Scheme was approved in 1994. Under the scheme the remuneration committee was able to grant options over shares in the Company to senior executives of the Group. The scheme lapsed in May 2004. Options were granted with a fixed exercise price equal to the market price of the shares under the option at the date of grant. The contractual life of an option was ten years. Options granted under the scheme became exercisable on the third anniversary of the date of grant, subject to the Group's earnings per share exceeding, by at least 3% per annum, the increase in the UK's retail price index over a period of three years beginning not earlier than the Company's last financial year before the date of an option grant. The exercise of an option is subject to continued employment or other circumstances in the scheme rules. Options granted since November 2002 are valued using the Black-Scholes option model.

22. Share capital and share based payments (continued)

The Company Share Option Plan

The Company Share Option Plan was introduced during 2011. The vesting of the 2011 Company Share Option Plan is subject to the achievement of an EPS performance condition. Performance is measured at the end of three consecutive financial years after the option is granted. 100% of an award vests if an EPS target of 20p is achieved and none of the award vests if the EPS is below 13p. There is a stepped vesting for an EPS between 13p and 20p. The Remuneration Committee reserves the right to exclude items of a non-recurring nature from the EPS calculation. The Binomial model was used for the valuation.

The Sharesave Plan

The Sharesave Plan was introduced in 2008 to encourage eligible UK employees to have an involvement in the Group's performance. Savings contracts are of three or five year terms. The vesting period is 38 months or 62 months and options may be exercised up to six months after the vesting date.

The Long-Term Incentive Plan ('LTIP')

The Long-Term Incentive Plan expired in May 2009 and as at 31st December 2011 there were no options outstanding under this plan.

Fired Earth Incentive Scheme

The management of Fired Earth have an option to acquire up to 28% of the equity of Fired Earth Limited. The transaction has been treated as an employee share option and the charge for the year was not material.

Options outstanding at 31st December 2011 under the Group schemes were as follows:

Senior Executive Share Option Scheme

Grant date	Number of shares	Exercisable in 7 years to	Option price p per share
March 2002	51,500	March 2012	261
October 2003	108,500	October 2013	235
Total	160,000		

Company Share Option Plan

Grant date	Number of shares	Exercisable in 7 years to	Exercise price p per share
April 2011	199,185	April 2021	123
Total	199,185		

Sharesave Plan

Grant date	Number of Shares	Exercisable in 6 months to	Option price p per share
September 2008	95,962	May 2012	209
September 2008	215,393	May 2014	209
Total	311,355		

The total charge for the year relating to employee share based payment plans was £nil (2010: £0.1m) before tax and £nil (2010: £0.1m) post tax.

The fair value per option of the Company Share Option Plan granted in 2011 and the assumptions used in the calculation are as follows:

	2011
Grant date	18th April
Closing share price at valuation date	£1.22
Exercise price	£1.23
Number of employees	19
Shares under option	199,185
Vesting period (years)	3
Expected volatility	46.7%
Option life (years)	10
Expected life (years)	6 1/2
Risk-free rate	2.78%
Expected dividend yield	3.3%
Fair value per option	£0.46

22. Share capital and share based payments (continued)

There are no options exercisable under the Company Share Option Plan as at 31st December 2011. The weighted average remaining contractual life is nine years.

A reconciliation of the movements in the Senior Executive Share Option Scheme is shown below:

	2011		2010	
	Number '000	Weighted average exercise price (p)	Number '000	Weighted average exercise price (p)
Outstanding at 1st January	210	242	240	242
Lapsed - expired	(30)	237	(29)	241
Lapsed - forfeited	(20)	236	(1)	235
Outstanding at 31st December	160	243	210	242
Exercisable at 31st December	160	243	210	242

Under the Senior Executive Share Option Scheme the share options outstanding as at 31st December 2011 are as follows:

2011				2010			
Exercise price p	Number of shares '000	Expected remaining life years	Contractual remaining life years	Exercise price p	Number of shares '000	Expected remaining life years	Contractual remaining life years
236	–	–	–	236	48	0.2	0.5
261	52	0.2	0.4	261	53	0.7	1.4
235	108	0.9	1.8	235	109	1.4	2.8
	160				210		

There were 28,149 options exercised in the year under the LTIP in the year (2010: nil).

A reconciliation of the movements in the Sharesave Plan and LTIP is shown below:

	2011		2010	
Number:	Sharesave '000	LTIP '000	Sharesave '000	LTIP '000
Outstanding at 1st January	345	225	403	594
Exercised	–	(28)	–	–
Lapsed - expired	–	–	(6)	–
Lapsed - forfeited	(34)	(197)	(52)	(369)
Outstanding at 31st December	311	–	345	225
Exercisable at 31st December	96	–	1	28

The weighted average remaining contractual life of options under the Sharesave Plan is two years.

Further details of the directors' Sharesave Plan, Company Share Option Plan and LTIP are shown in the audited section of the remuneration report on page 36.

23. Business combinations

On 1st April 2011 AGA Rangemaster Limited acquired the business and principal assets of Redfyre Cookers and Don Heating Products for a total consideration of £0.7m. Of the consideration £0.6m was paid in the first half and £0.1m was contingent on the inventory valuation which was settled in the second half.

The revenue and operating profit since acquisition was not material and it was impracticable to separate as the business has been consolidated into the Group's other cooker operations.

Acquisition related costs have been charged to other operating charges in the consolidated income statement for the year ended 31st December 2011.

23. Business combinations (continued)

As a result of the acquisition, the Group is expected to optimise its competing distribution networks and product ranges, to build a stronger retail platform and to improve manufacturing synergies. Therefore, the goodwill arising of £0.2m became part of the AGA CGU. Various trade marks were acquired creating a brand valuation of £0.4m.

The following table summaries the consideration paid for Redfyre Cookers and Don Heating Products, the fair value of assets acquired, the goodwill and brands recognised:

	2011 £m
Consideration	
Cash paid in year	0.7
Less: fair value of identifiable assets acquired	
Inventories	(0.1)
Brands (note 13)	(0.4)
Goodwill (note 12)	0.2

24. Other reserves

	Fair value revaluation reserve £m	Translation reserve £m	Capital redemption reserve £m	Total £m
At 1st January 2011	1.5	8.2	75.0	**84.7**
Exchange differences on translation of foreign operations	–	(0.7)	–	**(0.7)**
At 31st December 2011	**1.5**	**7.5**	**75.0**	**84.0**

	Fair value revaluation reserve £m	Translation reserve £m	Capital redemption reserve £m	Total £m
At 1st January 2010	1.5	9.3	75.0	85.8
Exchange differences on translation of foreign operations	–	(1.1)	–	(1.1)
At 31st December 2010	1.5	8.2	75.0	84.7

The fair value revaluation reserve relates to the 2005 acquisition of an additional stake in Grange which gave the Group a controlling interest. The translation reserve includes all exchange adjustments in respect of overseas operations. The capital redemption reserve has arisen through share buy-backs and share consolidations in previous years.

25. Commitments

	2011 £m	2010 £m
Capital commitments contracted for by the Group for property, plant and equipment but not provided for in the accounts	0.1	0.1

26. Operating lease commitments

	Land and buildings		Other operating leases	
Future minimum lease payments under non-cancellable leases	**2011 £m**	2010 £m	**2011 £m**	2010 £m
– within 1 year	6.6	7.1	1.4	1.6
– between 1 and 5 years	18.1	19.2	1.7	2.8
– after more than 5 years	13.5	14.1	0.2	0.2
Total operating lease commitments	38.2	40.4	3.3	4.6

The operating lease commitments relate to properties, motor vehicles and plant and machinery. The leases have various terms, escalation clauses and renewal rights.

27. Contingent liabilities

The Group has contingent liabilities for certain potential claims from third parties in relation to divested businesses. On the basis of information presently available to them, the directors believe that no material claims are likely to arise for which provision has not been made in these accounts.

The Group has arranged £50.0m of bank guarantees, to guarantee obligations of the Group to the AGA Rangemaster Group Pension Scheme which may arise in the period up to 2020, of which £22.5m is collateral as disclosed in note 18(a).

The Group has no other material contingent liabilities arising in the normal course of business at 31st December 2011 (2010: £nil).

28. Related party transactions

The Group recharges the Group pension scheme with part of the cost of administration. The total amount recharged in the year to 31st December 2011 was £0.1m (2010: £0.1m). The amount outstanding at the year end was £nil (2010: £nil).

Key management's compensation

The compensation of the key management team, including executive and non-executive directors, at the balance sheet date is set out below:

	2011 £m	2010 £m
Salaries and short-term benefits	1.7	2.2
Post employment benefits	0.1	0.1
Share based payments	–	0.1
Total emoluments to key management	1.8	2.4

29. Trading subsidiaries

The following is a list of the Group's principal trading subsidiaries at 31st December 2011. A brief description of their activities is given in the business review. The share capital in each case consists, unless otherwise stated, wholly of ordinary shares, preference shares or common stock. All companies are held by subsidiary undertakings, except for those marked • in which case it is held directly by AGA Rangemaster Group plc.

Where subsidiaries are not wholly owned the percentage of owned capital is stated. Unless otherwise stated the companies are registered in England and operate in the United Kingdom. All subsidiaries included in the consolidation have coterminous year-ends.

AGA Rangemaster Limited trades in the UK principally under the trade and business names of:	*Website addresses:*
AGA	www.agaliving.com
	www.agacookshop.co.uk
	www.rayburn-web.co.uk
Divertimenti	www.divertimenti.co.uk
Falcon	www.falconappliances.com
Leisure Sinks	www.leisuresinks.co.uk
Mercury	www.mercury-appliances.co.uk
Rangemaster	www.rangemaster.co.uk
Redfyre	www.redfyrecookers.co.uk
Principal overseas trade and business names:	
AGA Marvel (USA)	www.aga-marvel.com
	www.lifeluxurymarvel.com
	www.aga-ranges.com
AGA Rangemaster France (branch)	www.falconfrance.com
Grange SA (France) 95%	www.grange.fr
Heartland Appliances Inc (Canada)	www.heartlandapp.com
La Cornue SA (France)	www.lacornue.com
Northland Corporation (USA)	www.northlandnka.com
Waterford Stanley Limited (EIRE)	www.waterfordstanley.com
	www.stanleystoves.com
Other UK:	
ARG Corporate Services Limited •	
AGA Rangemaster Properties Limited •	
Fired Earth Limited •	www.firedearth.com

30. Post balance sheet event

The Company has received a judgement from a German court in 2012 relating to the valuation of a minority shareholding in a business which the Group acquired in 1998 and sold in 2001 as part of the Pipe Systems disposal and therefore expects settlement payments to be made in 2012. The provision held reflects the expected settlement.

Independent Auditor's Report

To the members of AGA Rangemaster Group plc

We have audited the Group financial statements of AGA Rangemaster Group plc for the year ended 31st December 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 24, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31st December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinions on other matter prescribed by the Companies Act 2006

In our opinion:

- the information given in the directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements; and
- the information given in the corporate governance statement with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matter on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statement in relation to going concern; and
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent Company financial statements of AGA Rangemaster Group plc for the year ended 31st December 2011 and on the information in the directors' remuneration report that is described as having been audited.

Simon O'Neill (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

9th March 2012

Five Year Financial History

Trading results		2011 £m	2010* £m	2009 £m	2008 £m	2007 £m
Revenue		**250.9**	259.1	245.0	279.4	291.8
Operating profit before non-recurring cost		**9.2**	21.5	3.9	16.5	30.4
Non-recurring costs		**(2.1)**	(1.4)	(3.6)	(5.3)	–
Total operating profit		**7.1**	20.1	0.3	11.2	30.4
Net finance income / (cost)		**0.4**	(0.2)	0.2	3.2	(3.4)
Profit before income tax		**7.5**	19.9	0.5	14.4	27.0
Tax credit / (expense)		**5.4**	(5.8)	–	(2.7)	(4.2)
Profit for the year – continuing operations		**12.9**	14.1	0.5	11.7	22.8
Post tax profit from discontinued operations		**2.7**	–	–	–	40.7
Profit for the year		**15.6**	14.1	0.5	11.7	63.5
Statistics						
Operating profit before non-recurring costs to revenue	%	**3.7**	8.3	1.6	5.9	10.4
Dividend per ordinary share	p	**1.9**	1.7	–	4.0	11.5
Earnings per share – continuing						
Basic	p	**18.8**	20.5	2.5	14.4	18.9
Diluted	p	**18.8**	20.5	2.5	14.4	18.7

Balance sheet summary	2011 £m	2010* £m	2009* £m	2008 £m	2007 £m
Net operating assets					
Property, plant and equipment	**40.8**	40.8	50.8	58.7	51.7
Inventories	**45.5**	42.8	46.0	63.5	54.9
Operating receivables less payables and provisions	**(45.6)**	(47.2)	(42.2)	(39.9)	(41.9)
Total net operating assets before intangibles	**40.7**	36.4	54.6	82.3	64.7
Assets held for sale	**2.6**	10.2	3.1	1.9	–
Net retirement benefit surplus / (obligation)	**5.3**	7.1	(40.5)	57.5	79.6
Intangibles	**90.6**	89.6	90.1	94.9	78.1
Total net operating assets	**139.2**	143.3	107.3	236.6	222.4
Tax	**(2.8)**	(15.6)	(5.0)	(25.9)	(34.4)
Total net cash	**31.3**	34.6	28.0	5.8	169.1
Total net assets employed	**167.7**	162.3	130.3	216.5	357.1
Financed by					
Ordinary shares	**32.5**	32.5	32.5	32.5	32.4
Reserves	**135.0**	129.4	97.3	182.2	322.6
Equity attributable to equity holders of the parent	**167.5**	161.9	129.8	214.7	355.0
Non-controlling interests	**0.2**	0.4	0.5	1.8	2.1
Total equity	**167.7**	162.3	130.3	216.5	357.1

* Restated for deferred tax - see note 21.

Parent Company Accounts Under UK GAAP
Company Balance Sheet

as at 31st December

The Company has elected to prepare its financial statements under UK GAAP.

	Notes	2011 £m	2010 £m
Fixed assets			
Investments	5	433.3	466.9
Total fixed assets		433.3	466.9
Current assets			
Debtors – amounts falling due within one year	6	562.5	571.7
– amounts falling due after one year	6	–	1.5
Cash at bank and in hand	7	35.3	32.4
Total current assets		597.8	605.6
Creditors – amounts falling due within one year			
Creditors	8	(694.0)	(692.8)
Borrowings	7	(2.8)	–
Provision for liabilities and charges	9	(7.8)	–
Total amounts falling due within one year		(704.6)	(692.8)
Net current liabilities		(106.8)	(87.2)
Total assets less current liabilities		326.5	379.7
Creditors – amounts falling due after more than one year			
Borrowings	7	(15.1)	(15.1)
Provisions for liabilities and charges	9	–	(6.2)
Total net assets employed		311.4	358.4
Shareholders' equity			
Share capital	10	32.5	32.5
Share premium account	11	29.6	29.6
Capital redemption reserve	11	75.0	75.0
Profit and loss account	11	174.3	221.3
Total shareholders' funds		311.4	358.4

The accounts on pages 74 to 79 were approved by the board of directors on 9th March 2012 and were signed on its behalf by:

W B McGrath Chief Executive **S M Smith** Finance Director

Notes to the accounts are on pages 75 to 79.

Notes to the Company Accounts

The directors' report is on pages 22 to 24 of the Annual Report and Accounts.

1. Accounting policies

Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable Accounting Standards and the Companies Act 2006.

A consolidated Group cash flow statement has been included in the AGA Rangemaster Group plc consolidated accounts; the Company has therefore taken advantage of the exemption under FRS 1 not to produce a cash flow statement.

The Company has taken advantage of the exemption under FRS 29 from financial instrument disclosures.

Cash

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in interest receivable and payable.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability at the balance sheet date.

Foreign currencies

The Company's functional currency and the presentation currency is pounds sterling. Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account, except when hedge accounting is applied. These are taken directly to reserves until the hedged transaction affects profit or loss, at which time they are recognised in the profit and loss account.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Deferred tax

Deferred tax is provided in respect of all timing differences, using the balance sheet liability method. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the timing differences can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Tax is provided for using current rates.

Investments

Investments in subsidiaries are held at cost and reviewed for impairment annually where there are indicators that suggest the amount might not be recoverable.

Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

1. Accounting policies (continued)

Employee share options

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any service or performance conditions (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Market performance conditions and non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other non-market vesting conditions are satisfied.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the profit and loss account.

The measurement of this expense is calculated only on options granted after 7th November 2002.

2. Company profit and loss account

AGA Rangemaster Group plc has taken advantage of section 408(4) of the Companies Act 2006 and has not included its own profit and loss account in these accounts. The Company's loss after tax was £45.8m (2010: £5.0m).

The profit and loss account includes £44,800 (2010: £43,100) for audit fees.

3. Dividends

	2011 £m	2010 £m
Final dividend paid of 1.0 pence per share for the year ended 31st December 2010 (2009: nil)	0.7	–
Interim dividend paid of 0.8 pence per share for the year ended 31st December 2011 (2010: 0.7 pence)	0.5	0.5
Total dividends paid in the year	1.2	0.5

The directors are recommending a final dividend in respect of the financial year ended 31st December 2011 of 1.1 pence (2010: 1.0 pence) per share.

4. Directors' compensation

The compensation of the directors is disclosed in note 5 of the Consolidated Annual Report and Accounts.

5. Investments

	Cost of shares £m	**Provisions £m**	**Net book value £m**
Interest in subsidiaries			
At 1st January 2011	470.4	(3.5)	**466.9**
Movement in year	–	(21.9)	**(21.9)**
Companies struck off	(11.7)	–	**(11.7)**
At 31st December 2011	458.7	(25.4)	433.3

6. Trade and other debtors

Amounts falling due within one year	2011 £m	2010 £m
Amounts owed by Group undertakings	561.2	533.6
Corporation tax recoverable	0.8	37.6
Prepayments and accrued income	0.1	0.4
Other receivables	0.4	0.1
Debtors falling due within one year	562.5	571.7
Deferred tax	–	1.5
Debtors falling due after one year	–	1.5

7. Cash and borrowings

a) Cash

	2011 £m	2010 £m
Cash at bank and in hand	35.3	32.4
Cash	35.3	32.4

The Company's cash balance of £35.3m includes £22.5m, which is collateralised against a bank guarantee that the Company has provided to the AGA Rangemaster Group Pension Scheme.

b) Financial liabilities – net (cash) / borrowings

	2011 £m	2010 £m
Bank borrowings	2.8	–
Amounts falling due within one year	2.8	–
Bank borrowings	15.1	15.1
Amounts falling due after one year	15.1	15.1
Total borrowings	17.9	15.1
Cash and cash equivalents	(35.3)	(32.4)
Total net (cash) / borrowings	(17.4)	(17.3)

The Company's borrowings are primarily loan advances denominated in a number of currencies and interest is based on LIBOR or foreign equivalents.

The loans are unsecured. The amounts falling due after one year are due for repayment in 2013.

8. Creditors

Amounts falling due within one year	2011 £m	2010 £m
Amounts owed to Group undertakings	693.0	691.0
Accruals and deferred income	0.5	0.8
Other payables	0.5	1.0
Total creditors falling due within one year	694.0	692.8

9. Provisions

	£m
At 1st January 2011	6.2
Charge in the year	2.8
Utilised in the year	(1.2)
At 31st December 2011	7.8

The provisions relate to the remaining costs in respect of the disposal of Pipe Systems in 2001 and Foodservice in 2007, including possible warranty and indemnity claims, other claims and other costs from third parties in relation to divested businesses. Although the majority of these provisions may be realised in the next accounting period, the exact timing is unclear. The Company has received a judgement from a German court in 2012 relating to the valuation of a minority shareholding in a business which the Group acquired in 1998 and sold in 2001 as part of the Pipe Systems disposal and therefore expects settlement payments to be made in 2012.

10. Share capital

	2011		2010	
	m	£m	m	£m
Allotted, called up and fully paid				
Ordinary shares of 46⁷/₈p each as at 31st December	69.3	32.5	69.2	32.5

During the year 28,149 ordinary shares were issued in connection with the Company's share option schemes (2010: nil).

All of the ordinary shares rank equally with respect to voting rights and rights to receive ordinary and special dividends. There are no restrictions on the rights to transfer shares.

Share based payments

Options outstanding at 31st December 2011 and share based payments disclosures are shown in note 22 of the Consolidated Annual Report and Accounts.

11. Reserves

	Share capital £m	Share premium £m	Capital redemption reserve £m	Profit and loss account £m	Total equity £m
At 1st January 2011	32.5	29.6	75.0	221.3	**358.4**
Dividends paid	–	–	–	(1.2)	**(1.2)**
Loss for the year	–	–	–	(45.8)	**(45.8)**
At 31st December 2011	32.5	29.6	75.0	174.3	311.4

12. Commitments

The Company had no capital commitments (2010: nil).

13. Contingent liabilities

The Company has contingent liabilities for certain potential claims from third parties in relation to divested businesses. On the basis of information presently available to them, the directors believe that no material claims are likely to arise for which provision has not been made in these accounts. The Company has given a number of financial and performance guarantees on behalf of subsidiaries, the relevant liabilities are included in the balance sheet.

The Group has arranged £50.0m of bank guarantees, to guarantee obligations of the Company to the AGA Rangemaster Group Pension Scheme which may arise in the period up to 2020, of which £22.5m of cash is collateral as disclosed in note 7(a).

The Company has no other material contingent liabilities arising in the normal course of business at 31st December 2011 (2010: nil).

14. Related party transactions

The Company has taken advantage of the exemption permitted by FRS 8 not to disclose any transactions or balances with entities that are 100% controlled by the AGA Rangemaster Group plc.

The Company was owed an amount by its indirectly owned 95% subsidiary, Grange SA. The balance at 31st December 2011 was £3.8m (2010: £1.0m) and is repayable on demand. The maximum balance during the year was £3.8m.

15. Trading subsidiaries

The Company's principal trading subsidiaries at 31st December 2011 are listed in note 29 of the Consolidated Annual Report and Accounts.

16. Post balance sheet event

The Company has received a judgement from a German court in 2012 relating to the valuation of a minority shareholding in a business which the Group acquired in 1998 and sold in 2001 as part of the Pipe Systems disposal and therefore expects settlement payments to be made in 2012. The provision held reflects the expected settlement.

Statement of Directors' Responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report

To the members of AGA Rangemaster Group plc

We have audited the parent Company financial statements of AGA Rangemaster Group plc for the year ended 31st December 2011 which comprise the Company balance sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st December 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of AGA Rangemaster Group plc for the year ended 31st December 2011.

Simon O'Neill (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

9th March 2012

Shareholder Information

Head office and registered office

AGA Rangemaster Group plc
Juno Drive
Leamington Spa
Warwickshire
CV31 3RG
Telephone: 0044 (0) 1926 455755
Fax: 0044 (0) 1926 455749
E-mail: info@agarangemaster.com
Website: www.agarangemaster.com
Registered in England company registered number 00354715

2012 Financial calendar

Record date for final ordinary dividend	20th April 2012
Annual General Meeting	3rd May 2012
Final ordinary dividend payable	1st June 2012
2012 half year close	30th June 2012

Shareholder information

At 31st December 2011, the Company had 5,772 ordinary shareholders (2010: 6,052). Their holdings are analysed as follows:

Number of 46 $^{7}/_{8}$p ordinary shares	Number of holders	% of total shareholders	Number of shares held	% of total shares held
Up to 5,000	5,394	93.5	3,798,636	5.5
5,001-50,000	283	4.9	4,451,279	6.4
50,001-500,000	66	1.1	11,669,357	16.9
Over 500,000	29	0.5	49,344,951	71.2
	5,772	100.0	69,264,223	100.0

AGA THE WORLD ACCORDING TO LADY AGA

AGA is thrilled to announce the launch of its new blog – The World According to Lady AGA

As well as posting recipes, AGA cooking tips, guest blog posts, news and, of course, uniting AGA owners across the world, Lady AGA will also be indulging in a little sociology by offering a tongue-in-cheek, sideways glance at the different types of AGA owners she has met.

From the Ex-Pat who will only move countries if she can take an AGA with her to the Rock Chick who has given up touring to stay at home and bake cakes, each week you'll find a new pen portrait to enjoy.

Lady AGA will also be encouraging readers to do a little AGA spotting by telling her where and when you have seen an AGA on TV, mentioned on the radio or in a magazine, book, newspaper, blog or anywhere else of interest. AGA cookers are well known for reviving lambs and hatching eggs, but Lady AGA has learned this is not all they can do. From bringing tortoises out of hibernation to providing a warm sleeping place for a baby owl, animals everywhere want to take their place in front of the AGA. It's with this in mind that Lady AGA is – with the help of readers – trying to build up an A-to-Z of animals that have been nurtured or incubated by or in the AGA. She wants to build up an entire list – from the aardvark to the zebra.

You'll find the new blog from Lady AGA at http://agablog.agaliving.com

AGA RANGEmaster
Group plc

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Mixed Sources
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